

Common Stock Code: 1467



TEX-RAY INDUSTRIAL CO., LTD.
TEX-RAY INDUSTRIAL CO., LTD.

2022 Regular Shareholders' Meeting

Agenda Handbook

June 15, 2022

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One. Agenda

TEX-RAY INDUSTRIAL CO., LTD.

Agenda of 2022 Regular Shareholders' Meeting

Time: 9:00 am, June 15, 2022

Venue: Meeting Room, No. 426 Linsen N. Rd., Zhongshan District, Taipei City

Call Meeting to Order:

Chairman's Address:

One. Reports:

- I. Business Report of 2021
- II. Audit Committee's Review Report on the 2021 Settlement
- III. Report on Endorsements, Guarantees and Loans in 2021
- IV. Report on the Amendment to the "Corporate Social Responsibility Best Practice Principles"
- V. Report on the Amendment to the "Corporate Governance Best Practice Principles"

Two. Ratifications

- I. Ratify the 2021 Business Report and Financial Statements
- II. Ratify the proposal of loss offsetting

Three. Discussions:

- I. Proposal to amend the "Articles of Incorporation."
- II. Proposal to amend the "Operational Procedures for the Acquisition and Disposal of Assets"

Four. Other Proposals and Extempore Motions

Five. Adjournment

One. Reports:

I. Please review the 2021 business report

Description:

Please refer to Attachment 1 on Page 8 for the 2021 Business Report

II. Please review the Audit Committee's Review Report on the 2021 settlement

Description:

- (I) The Company's 2021 Financial Accounts have been audited by the certified public accountants, and reviewed by the Audit Committee, for which the Audit Report and the Review Report have been issued. Please refer to Attachment 2 on Page 14.
- (II) The Audit Committee is required to declare the Review Report.

III. Please review the Report on Endorsements, Guarantees and Loans in 2021

Description:

- (I) As at Dec.31, 2021, the Company's liability limit under the endorsements and guarantees was NT\$2,934,682 thousand, and the actual aggregate amount of endorsements and guarantees was NT\$1,379,077 thousand.
- (II) As at Dec.31, 2021, the Company's aggregate limit of the loans was NT\$ 1,173,873 thousand, and the total amount of the released loans was NT\$126,362 thousand.
- (III) The proposal is hereby submitted to the shareholders' meeting according to the procedures for endorsements and guarantees.

IV. Cause: Please review the amendment to the “Corporate Social Responsibility Best Practice Principles.”

Description:

- (I) To enhance the implementation of the Corporate Governance 3.0 Sustainable Development Blueprint, the related operational procedures are amended pursuant to the competent authority’s requirement, while coping

with the real operations of the Company; the Principles are also renamed as the “Sustainable Development Best Practice Principles.”

- (II) Please refer to Attachment 3 on Page 15-27 for the Comparison Table for Amendments to the Corporate Social Responsibility Best Practice Principles, and Provisions before Amendment

V. Cause: Please review the amendment to the “Corporate Governance Best Practice Principles.”

Description:

- (I) To enhance the implementation of the Corporate Governance 3.0 Sustainable Development Blueprint, the related operational procedures are amended pursuant to the competent authority’s requirement, while coping with the real operations of the Company
- (II) Please refer to Attachment 4 on Page 28-54 for the Comparison Table for Amendments to the Corporate Governance Best Practice Principles, and Provisions before Amendment

Two. Ratifications

I. Cause: Please ratify the 2021 Business Report and Financial Statements (Proposed by the board of director)

Description:

- (I) The 2021 business report and financial statements have been audited by CPAs Zeng Guoshang and Jian Dinuan from KPMG International, sent to the Audit Committee for review. For the said books and statements, and the Business Report, please refer Attachment 1 on page 8 and Attachment 5 on page 55-72.
- (II) Please ratify.

Resolution:

II. Cause: Please ratify the proposal of profit and loss appropriation. (Proposed by the board of director)

Description:

- (I) The Company's undistributed earnings at the beginning of the 2021 is NT\$132,923,143, the net loss of the period is NT\$30,881,968, other comprehensive income is NT\$2,426,971, and the undistributed earnings at the end of period is NT\$104,468,146
- (II) Please refer to Attachment 6 on page 73 for the Table of Profit/Loss Appropriation
- (III) Please ratify.

Resolution:

Three. Discussions

I. Cause: Please discuss the proposal to amend the "Articles of Incorporation."
(Proposed by the board of director)

Description:

- (I) To cope with the practical operations, the Company's Articles of Incorporation are amended. Please refer to Attachment 7 on page 74-85 for the comparison table of amendment, and the provisions before amendment.
- (II) Please discuss:

Resolution:

II. Cause: Please discuss the proposal to amend the "Operational Procedures for the Acquisition and Disposal of Assets". (Proposed by the board of director)

Description:

- (I) Pursuant to Jin-Guan-Zheng-Fa-Zhi No. 1110380465, dated January 28, 2022, by the Financial Supervisory Commission, the related operational procedures are amended. Please refer to Attachment 8 on page 85-108 for the comparison table of amendment, and the provisions before amendment.
- (II) Please discuss:

Resolution:

Four. Other Proposals and Extempore Motions

Five. Adjournment

Two. Attachment

Attachment 1
TEX-RAY INDUSTRIAL CO., LTD.
Business Report

I. Operating Guideline

Due to the outbreak of local pandemic in Mid-May 2021, the CPC urged people to avoid any unnecessary transportation. People had to stay at home, and thus “At Home” became the key words for Taiwan in 2021. This also reflects the new global economic pattern, and the “at home economic” has become the new type of business model and grown rapidly. On March 21, the giant container ship “Ever Given” ran aground in Egypt's Suez Canal and blocked the river, blocking traffic. Vessels passing through the Suez Canal every day carry about 1 million barrels of crude oil and 8% liquefied natural gas, as well as goods that account for at least 12% of global trade, mainly clothing, furniture, industrial production parts and automotive parts. The data of the international shipping industry publication “Lloyd's List,” shows that the daily value of stranded trade is estimated at US\$9.6 billion, equivalent to US\$400 million per hour/3.3 million tons of cargo. This delayed voyage of cargo vessels has caused significant direct and indirect economic losses to the world economy, and brought further headwinds to the supply chains impacted by COVID-19. The pandemic has further intensified the inflation. In 2021, while the demands increased to drive economic growth, the pandemic has led to a mayhem in the global supply chains, resulting in supply shortages. Under the imbalanced supply-demand, in particular rising food and energy prices impact people's lives even greater. The accommodative fiscal and monetary policies adopted by various countries only fueled the inflation. Although the economy in Taiwan has grown substantially, the growth mainly came from the outperformance of information, communication, and electronic products, with shortage of supply resulting in higher prices. However, traditional industries are facing considerable headwinds. In addition to the impacts of the pandemic on production and exports, the exchange rate of the New Taiwan Dollar has appreciated significantly, also intensified the pressure on the export-oriented traditional industries.

Faced with many unfavorable external environmental factors, the Company is still actively undertaking transformation to re-arrange its global strategic layout. As the U.S.-China trade war is still in progress, the Company has reduced the proprietary production of fabrics in Chinese production bases, but only retained the garment production bases for Chinese market only. In addition, the export business in African production bases has been expanded, to lower the reliance on the production bases in Vietnam, for avoiding from repeating the crisis when Vietnam was locked down, the production and supply were interrupted, as well as providing options of production origins to customers.

Facing many difficulties and challenges, and the prolonged COVID-19 pandemic, the textile industry with annual production value of NT\$360 million in Taiwan, was caught in an ordeal. The world-class department store, “JC Penny” filed bankruptcy protection in 2021. With the integration of internal resources and the ODM capabilities developed from the past, the Company has supplied its products through multiple production and sales channels and supply networks in a flexible model while managing and controlling the risks effectively to mitigate the risks to the tolerable range. The Company has also taken over the orders from those brands and distributors in crisis, which has gradually led to new business opportunities, while making them potential partners when the Company conducts business expansion in the coming years. With its existing ODM capabilities, the Company has provided partners with more choices to effectively increase its business value. The Company has also enhanced designs with market value and engaged in research and development and market expansion, so as to create more valuable new products and services. The efforts have begun to pay off.

In recent years, the "little golden chickens" have become popular in the stock market with a group's abundant resources to develop subsidiaries or sub-subsidiaries to enable more effective resource allocation. This model is well-received in the market. Under the protection of a large group, a subsidiary can also be expected to have outstanding business performance in the future, which will heat up the discussion after the subsidiary is listed on the stock market. Company has also selected its subsidiary King's Metal Fiber Technologies Co., Ltd. as its "little golden chicken" cultivated by the group, and it was publicly listed on March 12, 2021, and listed as the emerging stock in September 2021. The listing in Taipei Exchange will be applied within this year, and it will continue to strive hard to move toward the capital market.

Looking ahead to the future, the year of 2022 will still be a challenging year. In addition to maintaining the Texray Seamless Value Added Chain model adopted by the Company's management team as throughout the past to leverage its strengths in competition, the Company will reorganize its subsidiaries to reduce management costs, streamline the management processes, strengthen communication and synergy across different production sites, effectively reduce operating costs, and improve quality and efficiency comprehensively so as to create the maximum value and benefits for its shareholders.

II. Implementation Overview and Results

In order to keep abreast of the market trends and respond to the needs of rapid response, the Company has re-adjusted the roles and functions of the companies in different regions:

- (1) The Taiwan headquarters aims to enhance its advantages in global operations, continue to develop new categories of customers, increase profits and expand the scale of operations, strengthen the efficiency of internal production and sales coordination, increase procurement bargaining power, and expand the development and business of functional products, to enhance the overall profit of the Company.
- (2) To respond to the continuous growth of the domestic market for textiles and garment in China, the Company has actively adjusted its product categories and developed the domestic market

but gradually adjusted the existing export business to produce products with better profitability in China, while allocating other operations to other production bases for production and manufacturing services.

- (3) As for the production sites in Africa, the Company has successfully developed the domestic market in Africa through the steady weaving and dyeing capabilities, vertical integration of the processes for ready-made garments, and featured products. The Company has also continued to purchase and update machinery and equipment to diversify product categories with distinctive features and to provide customers with more high-quality choices, while continuing to expand the customer base and increase the market share. Also, it has set up production lines for the export to the European and the U.S markets so as to enhance its competitiveness.
- (4) To make good use of Vietnam's abundant and competitive human resources, the Company concentrated its resources in Vietnam, and will continue to increase its production capacity to stabilize quality.
- (5) In terms of the production sites in the U.S. and Mexico, the Mexican factory's production capacity for ready-to-wear has further increased. Because of its location, it has become a tariff-free and quick supply site for the U.S. market; as such, it can achieve a balanced growth in production and sales due to its quick supply so as to make a profit.
- (6) For other businesses, in addition to King's Metal Fiber Technologies Co., Ltd., the Company also started to invest in new business and re-organize the current affiliated. By allocating and infusing the Group's resources, it is expected to breed more "little golden chicks," and driving the Group's performance.

III. The operating revenue and expenditure and budget execution

The Company did not prepare financial forecasts for 2022.

IV. Profitability Analysis

Although Tex-Ray has faced severe challenges in the textile and apparel industry in 2021, as the global COVID-19 pandemic has changed the entire consumer market, the “at home economy” has rapidly emerged, becoming a new pattern of channels and consumption model around the world. Under this situation, the company is also actively adjusting the company's business and manufacturing patterns to conform to the new trends in the market, emphasizing blockchain supply and rapid response, shortening the response and production time of the supply chain, in line with new consumption patterns and behaviors. By making every possible effort, with controllable risks, the Company has still strived to debottleneck for developing new businesses, and continued the transformation, to improve the Company's margin and added value.

V. Research and development status

With the changes in the global demography, according to one United Nations statistics, the life expectancy extension plus the birth rate decline, people aged 65 or order, will be one-six of the global population by 2050, or 1.5 billion people as the provisional estimation. The United Nations also warned that the demographic change will impact the governments around the world. In addition, the climate change has drawn attention to environmental sustainability issues. From October 31 to November 12, 2021, the annual global climate summit, COP26, was held in Glasgow, Scotland, UK. The Glasgow Climate Pact announced at the end of the Summit, specified clearly the plan to reduce the consumption of coal for the first time in the history, and committed to provide developing countries with more funds to help them adapt to the climate change. To cope with the global landscape, Tex-Ray’s major product development trends including technological innovation, safety protection, comfortable and functional, and sustainable and eco. As the environment and green energy issues are obtaining more attentions around the world, the international brands have issued green declarations and paid more attention to whether the textile industry is equipped with a new generation of eco-friendly and non-toxic production processes and has the potential for research and development and production of textiles. The Company has created a patented eco-friendly wet print technique for the process as a modern eco-

friendly solution in the printing and dyeing industry that consumes the most energy. On the front of products, it has brought together the RAYS functional textile product map to develop eco-friendly, energy saving, carbon reduction, and functional products, including the ECO-LOR® series through the dope dyeing process as well as the temperature-regulating textiles, such as T-Cool and T-Hot series. In the future, the Company will continue to invest resources and focus its research and development efforts on sustainable and eco-friendly products. With the growing global aging population and rising awareness of health, the market's demand for health care and sports and fitness products has increased; meanwhile, the rapid development of information technology and the global Internet of Things has led to a growth in the demand for smart wearable garment. Company has been devoted to sports and fitness products and long-term care since its early days, it continues to lead the industry in technology and patents. By combining the advantages in electronics, textiles, and other relevant industries, the Company will engage in collaboration with different industries to develop new functional products, and develop diverse applications of textiles for different industries.

Chairman: Lin Zui Yeh

Managerial Officer:
Yang Weihan

Accounting Supervisor: Wu
Jianzhong

Attachment 2

Audit Committee's Report

The Audit Committee

has completed the review of the 2021 financial statements, the consolidated financial statements, 2021 Business Report and profit distribution statement produced by the Board of Directors and audited by CPAs Zeng Guoshang and Jian Dinuan from KPMG International, and found no inconsistencies. Please review the Report which has been prepared in accordance with Article 219 of the Company Act. The report is prepared and please review.

To

2022 Annual General Meeting, TEX-RAY INDUSTRIAL CO., LTD.

Audit Committee of TEX-RAY INDUSTRIAL CO., LTD.
Convener: Tsai, Chao-Lun

March 28, 2022

Attachment 3

Comparison Table of Amendments to the Corporate Social Responsibility Best Practice Principles of TEX-RAY INDUSTRIAL CO., LTD.

Amended name	Current name	Description
<u>Sustainable Development</u> Best Practice Principles	Corporate Social Responsibility Best Practice Principles	To cope with the international development trend, implement the goals of the sustainable development, enhance the implementation of the sustainable development promotions by the TWSE/GTSM listed companies, and improve the quality of the information disclosures for the sustainable development, to highlight the emphasis and implementation of sustainable development in Taiwan, the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” is renamed as the “ Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.”

Amended provisions	Current provisions	Description
<p>Article 2 The Principles apply to the entire operations of the Company and its business group. The Company shall actively fulfill the <u>sustainable development</u> in the course of their business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on <u>sustainable development</u>.</p>	<p>Article 2 The Principles apply to the entire operations of the Company and its business group. The Company shall actively fulfill the corporate social responsibility in the course of their business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on corporate social responsibility.</p>	To cope with the amendment to the name of the Principles, the concept of emphasizing the corporate social responsibility to be extend to the sustainable development; Paragraph 2 are amended accordingly.
<p>Article 3 In fulfilling <u>sustainable development</u> initiatives, the Company shall, in its corporate management guidelines and</p>	<p>Article 3 In fulfilling corporate social responsibility initiatives, the Company shall, in its corporate management guidelines and</p>	To cope with the amendment to the name of the Principles, the concept of emphasizing the corporate social responsibility to be extend to the sustainable

<p>business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance. (Omitted hereafter)</p>	<p>business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance. (Omitted hereafter)</p>	<p>development; Paragraph 1 are amended accordingly.</p>
<p>Article 4 To implement <u>sustainable development</u> initiatives, the Company is advised to follow the principles below: I. Exercise corporate governance. II. Foster a sustainable environment. III. Preserve public welfare. VI. Enhance disclosure of <u>sustainable development</u> information.</p>	<p>Article 4 To implement corporate social responsibility initiatives, the Company is advised to follow the principles below: I. Exercise corporate governance. II. Foster a sustainable environment. III. Preserve public welfare. IV. Enhance disclosure of corporate social responsibility information.</p>	<p>To cope with the amendment to the name of the Principles, the concept of emphasizing the corporate social responsibility to be extend to the sustainable development; The preface and Subparagraph 4 of the article are amended accordingly.</p>
<p>Article 5 The Company shall take into consideration the correlation between the development of domestic and international <u>sustainable development</u> principles and corporate core business operations, and the effect of the operation of individual companies and of the respective business groups as a whole on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for <u>sustainable development</u> programs, which shall be approved by the board of directors and then reported to the shareholders meeting. When a shareholder proposes a motion involving <u>sustainable development</u>, the Company's board of directors is advised to review and consider including it in the shareholders meeting agenda.</p>	<p>Article 5 The Company shall take into consideration the correlation between the development of domestic and international corporate social responsibility principles and corporate core business operations, and the effect of the operation of individual companies and of the respective business groups as a whole on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility programs, which shall be approved by the board of directors and then reported to the shareholders meeting. When a shareholder proposes a motion involving corporate social responsibility, the Company's board of directors is advised to review and consider including it in the shareholders meeting agenda.</p>	<p>To cope with the amendment to the name of the Principles, the concept of emphasizing the corporate social responsibility to be extend to the sustainable development; Paragraph 1 and 2 are amended accordingly.</p>
<p>Article 7 The directors of the Company</p>	<p>Article 7 The directors of the Company</p>	<p>To cope with the amendment to the name of the Principles, the</p>

<p>shall exercise the due care of good administrators to urge the company to perform its <u>sustainable development</u> initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its <u>sustainable development</u> policies.</p> <p>The board of directors of the Company is advised to give full consideration to the interests of stakeholders, including the following matters, in the company's performance of its <u>sustainable development</u> initiatives:</p> <ol style="list-style-type: none"> I. Identifying the company's <u>sustainable development</u> mission or vision, and declaring its corporate <u>sustainable development</u> policy, systems or relevant management guidelines; II. Making <u>sustainable development</u> the guiding principle of the company's operations and development, and ratifying concrete promotional plans for <u>sustainable development</u> initiatives; and III. Enhancing the timeliness and accuracy of the disclosure of <u>sustainable development</u> information. <p>(Omitted hereafter)</p>	<p>shall exercise the due care of good administrators to urge the company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies.</p> <p>The board of directors of the Company is advised to give full consideration to the interests of stakeholders, including the following matters, in the company's performance of its corporate social responsibility initiatives:</p> <ol style="list-style-type: none"> I. Identifying the company's corporate social responsibility mission or vision, and declaring its corporate social responsibility policy, systems or relevant management guidelines; II. Making corporate social responsibility the guiding principle of the company's operations and development, and ratifying concrete promotional plans for corporate social responsibility initiatives; and III. Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information. <p>(Omitted hereafter)</p>	<p>concept of emphasizing the corporate social responsibility to be extend to the sustainable development; Paragraph 1 and 2 are amended accordingly.</p>
<p>Article 8 The Company is advised to, on a regular basis, organize education and training on the implementation of <u>sustainable development promotion</u> initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.</p>	<p>Article 8 The Company is advised to, on a regular basis, organize education and training on the implementation of corporate social responsibility initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.</p>	<p>To cope with the amendment to the name of the Principles, the concept of emphasizing the corporate social responsibility to be extend to the sustainable development.</p>

<p>Article 9 For the purpose of managing <u>sustainable development</u> initiatives, the Company is <u>advised to establish the governance framework promotig sustainable development</u>, and an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the <u>sustainable development</u> policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the board of directors on a periodic basis.</p> <p>The Company is advised to adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.</p> <p>It is advised that the employee performance evaluation system be combined with <u>sustainable development</u> policies, and that a clear and effective incentive and discipline system be established.</p>	<p>Article 9 For the purpose of managing corporate social responsibility initiatives, the Company is advised to establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the board of directors on a periodic basis.</p> <p>The Company is advised to adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.</p> <p>It is advised that the employee performance evaluation system be combined with corporate social responsibility policies, and that a clear and effective incentive and discipline system be established.</p>	<p>I. For the healthy management of the sustainable development, corporates shall enhance the promotion of the sustainable development goal via the establishment of governance framework; Paragraph 1 is amended accordingly.</p> <p>II. To cope with the amendment to the name of the Principles, the concept of emphasizing the corporate social responsibility to be extend to the sustainable development; Paragraph 1 and 3 are amended accordingly.</p>
<p>Article 10 The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important <u>sustainable development</u> issues which they are concerned about.</p>	<p>Article 10 The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important corporate social responsibility issues which they are concerned about.</p>	<p>To cope with the amendment to the name of the Principles, the concept of emphasizing the corporate social responsibility to be extend to the sustainable development.</p>
<p>Article 12 The Company is advised to endeavor to improve the <u>energy utilization</u> efficiency and use renewable materials which have a low impact on the environment to improve sustainability of</p>	<p>Article 12 The Company is advised to endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of</p>	<p>To focus on the management of energy utilization for mitigating the emission of GHG, the provision is amended.</p>

<p>natural resources.</p> <p>Article 17 The Company is advised to assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt <u>related</u> measures. The Company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:</p> <p>I. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the Company.</p> <p>II. Indirect greenhouse gas emissions: emissions resulting from the generation of externally <u>input</u> electricity, heating, or steam.</p> <p>III. <u>Other indirect greenhouse gas emissions: the emissions generated from the Company's activities are not the indirect energy emissions but come from the emission sources owned or controlled by other companies.</u> (Omitted hereafter)</p>	<p>natural resources.</p> <p>Article 17 The Company is advised to assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt climate related measures. The Company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:</p> <p>I. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the Company.</p> <p>II. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam. (Omitted hereafter)</p>	<p>I. When TWSE/GTSM listed companies assess the risks and opportunities that climate change, and adopt climate related measures, they shall included but not limited to the climate related issues; Paragraph 1 is amended accordingly.</p> <p>II. Regarding the electricity in the indirect greenhouse gas emissions, the purchased electricity is included but not limited to.; Subparagraph 2 of Paragraph 2 is amended accordingly.</p> <p>III. To achieve the goal of reducing GHG emission, corporates are encouraged to disclose the other indirect greenhouse gas emissions in Scope 3; Subparagraph 3 of Paragraph 2 is added accordingly.</p>
<p>Article 28 The Company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and shall fully disclose relevant and reliable information relating to their <u>sustainable development</u> initiatives to improve information transparency. The Company disclose the following <u>sustainable development</u> related information:</p>	<p>Article 28 The Company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and shall fully disclose relevant and reliable information relating to their corporate social responsibility initiatives to improve information transparency. Relevant information relating to corporate social responsibility which TWSE/GTSM listed</p>	<p>To cope with the amendment to the name of the Principles, the concept of emphasizing the corporate social responsibility to be extend to the sustainable development; Paragraph 1 and 2 are amended accordingly.</p>

<p>I. The policy, systems or relevant management guidelines, and concrete promotion plans for <u>sustainable development</u> initiatives, as resolved by the board of directors.</p> <p>II. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.</p> <p>III. Goals and measures for realizing the <u>sustainable development</u> initiatives established by the companies, and performance in implementation.</p> <p>IV. Major stakeholders and their concerns.</p> <p>V. Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.</p> <p>VI. Other information relating to <u>sustainable development</u> initiatives.</p>	<p>companies shall disclose includes:</p> <p>I. The policy, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility initiatives, as resolved by the board of directors.</p> <p>II. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.</p> <p>III. Goals and measures for realizing the corporate social responsibility initiatives established by the companies, and performance in implementation.</p> <p>IV. Major stakeholders and their concerns.</p> <p>V. Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.</p> <p>VI. Other information relating to corporate social responsibility initiatives.</p>	
<p>Article 29 The Company shall adopt internationally widely recognized standards or guidelines when producing <u>sustainable development</u> reports, to disclose the status of their implementation of the <u>sustainable development</u>. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:</p>	<p>Article 29 The Company shall adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of their implementation of the corporate social responsibility policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:</p>	<p>To cope with the concrete promotion measures under the “Corporate Governance 3.0 - Sustainable Development Blueprint,” the “corporate social responsibility reports” of TWSE/GTSM listed companies are renamed as the “sustainable development reports;” also to cope with the amendment to the name of the Principles, the concept that corporates shall emphasize corporate social responsibility, is expanded to that corporates shall emphasize</p>

<p>I. The policy, system, or relevant management guidelines and concrete promotion plans for implementing <u>sustainable development</u> initiatives.</p> <p>II. Major stakeholders and their concerns.</p> <p>III. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.</p> <p>IV. Future improvements and goals.</p>	<p>I. The policy, system, or relevant management guidelines and concrete promotion plans for implementing corporate social responsibility initiatives.</p> <p>II. Major stakeholders and their concerns.</p> <p>III. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.</p> <p>IV. Future improvements and goals.</p>	<p>sustainable development. The preface and Subparagraph 1 of the same article are amended accordingly.</p>
<p>Article 30</p> <p>The Company shall at all times monitor the development of domestic and foreign <u>sustainable development</u> standards and the change of business environment so as to examine and improve their established <u>sustainable development</u> framework and to obtain better results from the promotion of the <u>sustainable development</u>.</p>	<p>Article 30</p> <p>The Company shall at all times monitor the development of domestic and foreign corporate social responsibility standards and the change of business environment so as to examine and improve their established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy.</p>	<p>To cope with the amendment to the name of the Principles, the concept of emphasizing the corporate social responsibility to be extend to the sustainable development.</p>

Attachment 3 (Provisions before amendment)

TEX-RAY INDUSTRIAL CO., LTD.
Corporate Social Responsibility Best Practice Principles

The Procedures were approved by the board of directors on March 26, 2020.

- Article 1 To fulfill their corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, the Company establishes the Best Practice Principles for compliance.
- Article 2 The Principles apply to the entire operations of the Company and its business group.
The Company shall actively fulfill the corporate social responsibility in the course of their business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on corporate social responsibility.
- Article 3 In fulfilling corporate social responsibility initiatives, the Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.
The Company shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.
- Article 4 To implement corporate social responsibility initiatives, the Company is advised to follow the principles below:
I. Exercise corporate governance.
II. Foster a sustainable environment.
III. Preserve public welfare.
IV. Enhance disclosure of corporate social responsibility information.
- Article 5 The Company shall take into consideration the correlation between the development of domestic and international corporate social responsibility principles and corporate core business operations, and the effect of the operation of individual companies and of the respective business groups as a whole on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility programs, which shall be approved by the board of directors and then reported to the shareholders meeting.
When a shareholder proposes a motion involving corporate social responsibility, the Company's board of directors is advised to review and consider including it in the shareholders meeting agenda.
- Article 6 The Company is advised to follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the Code of Ethical Conduct for TWSE/GTSM Listed Companies to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.
- Article 7 The directors of the Company shall exercise the due care of good administrators to urge the company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof

from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies. The board of directors of the Company is advised to give full consideration to the interests of stakeholders, including the following matters, in the company's performance of its corporate social responsibility initiatives:

- I. Identifying the company's corporate social responsibility mission or vision, and declaring its corporate social responsibility policy, systems or relevant management guidelines;
- II. Making corporate social responsibility the guiding principle of the company's operations and development, and ratifying concrete promotional plans for corporate social responsibility initiatives; and
- III. Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information.

The board of directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the Company, and to report the status of the handling to the board of directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.

Article 8 The Company is advised to, on a regular basis, organize education and training on the implementation of corporate social responsibility initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.

Article 9 For the purpose of managing corporate social responsibility initiatives, the Company is advised to establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the board of directors on a periodic basis.

The Company is advised to adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.

It is advised that the employee performance evaluation system be combined with corporate social responsibility policies, and that a clear and effective incentive and discipline system be established.

Article 10 The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important corporate social responsibility issues which they are concerned about.

Article 11 The Company shall follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

Article 12 The Company is advised to endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

Article 13 The Company is advised to establish proper environment management systems based on the characteristics of their industries. Such systems shall include the following tasks:

- I. Collecting sufficient and up-to-date information to evaluate the impact of the company's business operations on the natural environment.
- II.

Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.

- Article 14 III. Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.
The Company is advised to establish a dedicated unit or assign dedicated personnel for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for their managerial officers and other employees on a periodic basis.
- Article 15 The Company is advised to take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from their business operations:
I. Reduce resource and energy consumption of their products and services.
II. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
III. Improve recyclability and reusability of raw materials or products.
IV. Maximize the sustainability of renewable resources.
V. Enhance the durability of products.
VI. Improve efficiency of products and services.
- Article 16 To improve water use efficiency, the Company shall properly and sustainably use water resources and establish relevant management measures.
The Company shall construct and improve environmental protection treatment facilities to avoid polluting water, air and land, and use their best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.
- Article 17 The Company is advised to assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt climate related measures.
The Company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:
I. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company.
II. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.
The Company is advised to compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes. The companies' carbon reduction strategies should include obtaining carbon credits and be promoted accordingly to minimize the impact of their business operations on climate change.
- Article 18 The Company shall comply with relevant laws and regulations, and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination.
The Company to fulfill its responsibility to protect human rights, shall adopt

relevant management policies and processes, including:

- I. Presenting a corporate policy or statement on human rights.
- II. Evaluating the impact of the company's business operations and internal management on human rights, and adopting corresponding handling processes.
- III. Reviewing on a regular basis the effectiveness of the corporate policy or statement on human rights.
- IV. In the event of any infringement of human rights, the company shall disclose the processes for handling of the matter with respect to the stakeholders involved.

The Company shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that their human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

The Company shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. The Company shall respond to any employee's grievance in an appropriate manner.

Article 19 The Company shall provide information for their employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the companies have business operations.

Article 20 Article 1 The Company is advised to provide safe and healthful work environments for their employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.

The Company is advised to organize training on safety and health for their employees on a regular basis.

Article 21 The Company is advised to create an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills.

The Company shall establish and implement reasonable employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the business performance or achievements in the employee remuneration, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

Article 22 The Company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the company's operations, management and decisions.

The Company shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.

The Company shall, by reasonable means, inform employees of operation

- changes that might have material impacts.
- Article 22-1 The Company is advised to treat customers or consumers of its products or services in a fair and reasonable manner, including according to the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons etc. Said company shall also develop the relevant strategies and specific measures for implementation.
- Article 23 The Company shall take responsibility for their products and services, and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the company shall ensure the transparency and safety of their products and services. They further shall establish and disclose policies on consumer rights and interests, and enforce them in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers. .
- Article 24 The Company shall ensure the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries.
The Company shall follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.
- Article 25 The Company is advised to evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society.
The Company is advised to provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, shall comply with laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and shall protect personal data provided by consumers.
- Article 26 The Company is advised to assess the impact their procurement has on society as well as the environment of the community that they are procuring from, and shall cooperate with their suppliers to jointly implement the corporate social responsibility initiative.
The Company is advised to establish supplier management policies and request suppliers to comply with rules governing issues such as environmental protection, occupational safety and health or labor rights. Prior to engaging in commercial dealings, TWSE/GTSM listed companies are advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy.
When the Company enter into a contract with any of their major suppliers, the content should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.
- Article 27 The Company shall evaluate the impact of their business operations on the community, and adequately employ personnel from the location of the

business operations, to enhance community acceptance.

The Company is advised to, through equity investment, commercial activities, endowments, volunteering service or other charitable professional services etc., dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.

Article 28

The Company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and shall fully disclose relevant and reliable information relating to their corporate social responsibility initiatives to improve information transparency.

Relevant information relating to corporate social responsibility which the Company shall disclose includes:

- I. The policy, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility initiatives, as resolved by the board of directors.
- II. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
- III. Goals and measures for realizing the corporate social responsibility initiatives established by the companies, and performance in implementation.
- IV. Major stakeholders and their concerns.
- V. Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.
- VI. Other information relating to corporate social responsibility initiatives.

Article 29

The Company shall adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of their implementation of the corporate social responsibility policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:

- I. The policy, system, or relevant management guidelines and concrete promotion plans for implementing corporate social responsibility initiatives.
- II. Major stakeholders and their concerns.
- III. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.
- IV. Future improvements and goals.

Article 30

The Company shall at all times monitor the development of domestic and foreign corporate social responsibility standards and the change of business environment so as to examine and improve their established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy.

Article 31

The Operational Procedures are implemented upon the resolutions of the board of directors; the same applies to the amendment.

TEX-RAY INDUSTRIAL CO., LTD.
Comparison Table for Amendments to the Corporate Governance Best Practice Principles

Number of article	Amended provisions	Current provisions	Description
Article 10	<p>The Company shall place high importance on the shareholder right to know, and <u>prevent the insider trading</u>.</p> <p>Paragraph 1 to 3 are omitted</p> <p>It is advisable that the rules mentioned in the preceding paragraph include stock trading control measures from the date insiders of the Company become aware of the contents of the company's financial reports or relevant results, <u>including (but not limited to) that the directors must not trade their shares within the locking period of 30 days prior to the announcement of the annual financial reports, and 15 days prior to the announcement of the quarterly financial reports.</u></p>	<p>The Company shall place high importance on the shareholder right to know</p> <p>Paragraph 1 to 3 are omitted</p> <p>It is advisable that the rules mentioned in the preceding paragraph include stock trading control measures from the date insiders of the Company become aware of the contents of the company's financial reports or relevant results.</p>	<p>To prevent the insider trading, and by referring the Listing Rules of Hong Kong Exchanges and Clearing Limited that directors are prohibited from trading shares prior to the release of financial results, Paragraph 4 is amended.</p>
Article 57	<p>The Company's <u>website shall establish dedicated sections</u> to disclose the following <u>corporate governance related information</u>, and update from time to time:</p> <p>I. <u>Board of directors: e.g. the summarized resumes of board members and their power, the diversity polices for board members and the implementation.</u></p> <p>II. <u>Functional committees: the summarized resumes of the members and their power.</u></p>	<p>The Company shall <u>disclose and update from time to time the following information regarding corporate governance</u> in the fiscal year in accordance with laws and regulations and TWSE or TPEX rules (<u>disclosure of supervisors' information is not required if the company has an audit committee</u>):</p> <p>I. <u>Corporate governance framework and rules.</u></p> <p>II. <u>Ownership structure and the rights and interests of shareholders, including specific and explicit dividend policy).</u></p> <p>III. <u>The structure of the board of directors, and professionalism and independence of the board members</u></p> <p>IV. <u>Responsibility of the board of directors and managerial officers.</u></p>	<p>To optimize the information disclosures of the corporate governance at the Company's website, the related laws and regulations provided in the original provisions, the items to be disclosed required by TWSE or TPEX are integrated, and planned pursuant to the Corporate Governance 3.0 -</p>

Number of article	Amended provisions	Current provisions	Description
	<p>III. <u>Regulations related to corporate governance: e.g. the Articles of Incorporation, Regulations Governing Procedure for Board of Directors Meetings, and organizational charters of functional committee, among other regulations related to corporate governance.</u></p> <p>IV. <u>Important information related to corporate governance: e.g. information of establishing the corporate governance officer.</u></p>	<p>V. <u>Composition, duties and independence of the audit committee or supervisors.</u></p> <p>VI. <u>Composition, duties and operation of the remuneration committee and other functional committees.</u></p> <p>VII. <u>The remuneration paid to the directors, supervisors, general manager and vice general manager in the last two fiscal years, the analysis of the percentage of total remuneration to net profit after tax in the parent company only financial reports or individual financial reports, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance and future risk. Under special individual circumstances, remuneration of individual directors and supervisors shall be disclosed.</u></p> <p>VIII. <u>The progress of training of directors and supervisors.</u></p> <p>IX. <u>The rights, relationships, avenues for complaint, concerns, and appropriate response mechanism regarding stakeholders.</u></p> <p>X. <u>The details of implementations for the matters required to be publicly disclosed by laws and regulations</u></p> <p>XI. <u>Details of the events subject to information disclosure required by law and regulations.</u></p> <p>XII. <u>Other information regarding corporate governance.</u></p> <p><u>The Company is advised, according to the actual performance of the corporate governance system, to disclose the plans and measures to improve its corporate governance system through appropriate mechanisms.</u></p>	<p>Sustainable Development Blueprint, specifying that the Company's website shall establish dedicated sections to disclose the corporate governance related information for the reference of the shareholders and stakeholders.</p>

TEX-RAY INDUSTRIAL CO., LTD.

Corporate Governance Best Practice Principles

Version 3 (The Principles were approved by the board of directors on May 12, 2020)

Chapter I General Principles

- Article 1 To assist in establishing sound corporate governance systems and promoting sound development of the securities market, the Company formulates the Principles by referring to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” jointly adopted by the Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEX), for compliance.
- The Company is advised to formulate their own corporate governance principles and establish an effective corporate governance framework with reference to these Principles and disclose them through the Market Observation Post System (MOPS).
- Article 2 When setting up the corporate governance system, in addition to complying with relevant laws, regulations, articles of incorporation, contracts signed with the TWSE or TPEX, and other relevant regulations, the Company shall follow the following principles:
- I. Protect the rights and interests of shareholders.
 - II. Strengthen the powers of the board of directors.
 - III. Fulfill the function of supervisors.
 - IV. Respect the rights and interests of stakeholders.
 - V. Enhance information transparency.
- Article 3 The Company shall follow the Criteria Governing Establishment of Internal Control Systems by Public Reporting Companies and take into consideration the overall operational activities of itself and its subsidiaries to design and fully implement an internal control system, and shall conduct continuing reviews of the system, in order to ensure the continued effectiveness of its design and implementation in light of changes in the company's internal and external environment.
- The establishment or amendment of the internal control system shall be approved by the board of directors; if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.
- The Company shall perform full self-assessments of its internal control system. Its board of directors and management shall review the results of the self-assessments by each department at least annually and the reports of the internal audit department on a quarterly basis. The audit committee or supervisors shall also attend to and supervise these matters. Directors shall periodically hold discussions with their internal auditors about reviews of internal control system deficiencies. A record of the discussions shall

be kept, and the discussions shall be followed up, improvements implemented, and a report submitted to the board of directors. The Company is advised to establish channels and mechanisms of communication between their independent directors, audit committees or supervisors, and chief internal auditors, and the convener of the audit committee or supervisors shall report the communications between members of the audit committees or supervisors and chief internal auditors at the shareholders' meeting. The management of the Company shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, to evaluate problems of the internal control system and assess the efficiency of its operations to ensure that the system can operate effectively on an on-going basis, and to assist the board of directors and the management to perform their duties effectively so as to ensure a sound corporate governance system.

Appointment, dismissal, evaluation and review, salary and compensation of internal auditors of the Company shall be reported to the board of directors or shall be submitted by the chief auditor to the board chairperson for approval.

Article 3-1 The Company is advised to have an adequate number of corporate governance personnel with appropriate qualifications based on the size of the company, business situations and management needs, and shall appoint in accordance with the requirements of the competent authorities, TWSE or TPEX a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs. Said officer shall be a qualified, practice-eligible lawyer or accountant or have been in a managerial position for at least three years in a securities, financial, or futures related institution or a public company in handling legal affairs, legal compliance, internal audit, financial affairs, stock affairs, or corporate governance affairs.

It is required that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:

- I. Handling matters relating to board meetings and shareholders meetings according to laws
- II. Producing minutes of board meetings and shareholders meetings
- III. Assisting in onboarding and continuous development of directors and supervisors
- IV. Furnishing information required for business execution by directors and supervisors
- V. Assisting directors and supervisors with legal compliance
- VI. Other matters set out in the articles of incorporation or contracts

Chapter II Protection of Shareholders' Rights and Interests

Section 1 Encouraging Shareholders to Participate in Corporate Governance

- Article 4 The corporate governance system of the Company shall be designed to protect shareholders' rights and interests and treat all shareholders equitably.
The Company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the company.
- Article 5 The Company shall convene shareholders meetings in accordance with the Company Act and relevant laws and regulations, and provide comprehensive rules for such meetings. The Company shall faithfully implement resolutions adopted by shareholders meetings in accordance with the rules for the meetings.
Resolutions adopted by shareholders meetings of the Company shall comply with laws, regulations and articles of incorporation.
- Article 6 The board of directors of the Company shall properly arrange the agenda items and procedures for shareholders meetings, and formulate the principles and procedures for shareholder nominations of directors and supervisors and submissions of shareholder proposals. The board shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders meetings at a convenient location, with sufficient time allowed and sufficient numbers of suitable personnel assigned to handle attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.
For a shareholders meeting called by the board of directors, it is advisable that the board chairperson chair the meeting, that a majority of the directors (including at least

one independent director) and convener of the audit committee, or at least one supervisor, attend in person, and that at least one member of other functional committees attend as representative. Attendance details should be recorded in the shareholders meeting minutes.

Article 7 The Company shall encourage its shareholders to actively participate in corporate governance. It is advisable that the company engage a professional shareholder services agent to handle shareholders meeting matters, so that shareholders meetings can proceed on a legal, effective and secure basis. The Company shall seek all ways and means, including fully exploiting technologies for information disclosure, to upload annual reports, annual financial statements, notices, agendas and supplementary information of shareholders meetings in both Chinese and English concurrently, and shall adopt electronic voting, in order to enhance shareholders' attendance rates at shareholders meetings and ensure their exercise of rights at such meetings in accordance with laws.

The Company is advised to avoid raising extraordinary motions and amendments to original proposals at a shareholders meeting.

The Company is advised to arrange for their shareholders to vote on each separate proposal in the shareholders meeting agenda, and following conclusion of the meeting, to enter the voting results the same day, namely the numbers of votes cast for and against and the number of abstentions, on the Market Observation Post System.

Article 8 The Company in accordance with the Company Act and other applicable laws and regulations, shall record in the shareholders meeting minutes the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. With respect to the election of directors and supervisors, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the elected directors.

The shareholders meeting minutes shall be properly and perpetually kept by the company during its legal existence, and should be sufficiently disclosed on the company's website.

Article 9 The chairperson of the shareholders meetings shall be fully familiar and comply with the rules governing the proceedings of the shareholders meetings established by the company. The chairperson shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will.

In order to protect the interests of most shareholders, if the chairperson declares the adjournment of the meeting in a manner in violation of rules governing the proceedings

of the shareholders meetings, it is advisable for the members of the board of directors other than the chairperson of the shareholders meeting to promptly assist the attending shareholders at the shareholders meeting in electing a new chairperson of the shareholders meeting to continue the proceedings of the meeting, by a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

Article 10 The Company shall place high importance on the shareholder right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on company financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the company.

To treat all shareholders equally, it is advisable that the company concurrently disclose the information under the preceding paragraph in English.

To protect its shareholders' rights and interests and ensure their equal treatment, the Company shall adopt internal rules prohibiting company insiders from trading securities using information not disclosed to the market.

It is advisable that the rules mentioned in the preceding paragraph include stock trading control measures from the date insiders of the Company become aware of the contents of the company's financial reports or relevant results.

Article 11 The shareholders shall be entitled to profit distributions by the company. In order to ensure the investment interests of shareholders, the shareholders meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the board of directors and the reports submitted by the audit committee or supervisors, and may decide profit distributions and deficit off-setting plans by resolution. In order to proceed with the above examination, the shareholders meeting may appoint an inspector.

The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the accounting records, assets, particulars, documents and records of specific transaction of the company.

The board of directors, audit committee or supervisors, and managers of the Company shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any circumvention, obstruction or rejection.

Article 12 In entering into material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the Company shall proceed in accordance with the applicable laws and/or regulations and establish operating procedures in relation to these material financial and business

transactions which shall be reported to and approved by the shareholders meeting so as to protect the interests of the shareholders.

When the Company is involved in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and/or regulations, it shall not only pay attention to the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but information disclosure and the soundness of the company's financial structure thereafter.

The relevant personnel of the Company handling the matters in the preceding paragraph shall pay attention to the occurrence of any conflicts of interest and the need for recusal.

Article 13

In order to protect the interests of the shareholders, it is advisable that the Company designate personnel exclusively dedicated to handling shareholder proposals, inquiries, and disputes.

The Company shall properly deal with any legal action duly instituted by shareholders in which it is claimed that shareholder rights and interests were damaged by a resolution adopted at a shareholders meeting or a board of directors meeting in violation of applicable laws, regulations, or the company's articles of incorporation, or that such damage was caused by a breach of applicable laws, regulations or the company's articles of incorporation by any directors, supervisors or managers in performing their duties.

It is advisable that the Company adopt internal procedures for appropriate handling of matters referred to in the preceding two paragraphs, and that it keep relevant written records for future reference and incorporate the procedures in its internal control system for management purposes.

Section 2 Establishing a Mechanism for Interaction with Shareholders

Article 13-1 The board of directors of the Company is responsible for establishing a mechanism for interaction with shareholders to enhance mutual understanding of the development of company's objectives.

Article 13-2 In addition to communicating with shareholders through shareholders meetings and encouraging shareholders to participate in such meetings, the board of directors of the Company together with officers and independent directors shall engage with shareholders in an efficient manner to ascertain shareholders' views and concerns, and expound company policies explicitly, in order to gain shareholders' support.

Section 3 Corporate Governance Relationships Between the Company and Its Affiliated Enterprises

Article 14 The Company shall clearly identify the objectives and the division of authority and responsibility between it and its affiliated enterprises with respect to management of personnel, assets, and financial matters, and shall properly carry out risk assessments

and establish appropriate firewalls.

- Article 15 Unless otherwise provided by the laws and regulations, a manager of the Company may not serve as a manager of its affiliated enterprises.
A director who engages in any transaction for himself or on behalf of another person that is within the scope of the company's operations shall explain the major content of such actions to the shareholders meeting and obtain its consent.
- Article 16 The Company shall establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk assessment of major banks they deal with and customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.
- Article 17 When the Company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions shall be prohibited.
All transactions or contracts made by and between the Company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.
- Article 18 A corporate shareholder having controlling power over the Company shall comply with the following provisions:
- I. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the company to conduct any business which is contrary to normal business practice or not profitable.
 - II. Its representative shall follow the rules implemented by its company with respect to the exercise of rights and participation of resolution, so that at a shareholders meeting, the representative shall exercise his/her voting right in good faith and for the best interest of all shareholders and shall exercise the fiduciary duty and duty of care of a director.
 - III. It shall comply with relevant laws, regulations and the articles of incorporation of the company in nominating directors or supervisors and shall not act beyond the authority granted by the shareholders meeting or board meeting.
 - IV. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
 - V. It shall not restrict or impede the management or production of the company by methods of unfair competition such as monopolizing corporate procurement or

foreclosing sales channels.

VI. The representative that is designated when a corporate shareholder has been elected as a director or supervisor shall meet the company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

Article 19 The Company shall retain at all times a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.

The Company shall disclose periodically important information about its shareholders holding more than 10 percent of the outstanding shares of the company relating to the pledge, increase or decrease of share ownership, or other matters that may possibly trigger a change in the ownership of their shares.

The major shareholder indicated in the first paragraph refers to those who owns 5 percent or more of the outstanding shares of the company or the shareholding stake thereof is on the top 10 list, provided however that the company may set up a lower shareholding threshold according to the actual shareholding stake that may control the company.

Chapter III Enhancing the Functions of the Board of Directors

Section 1 Structure of the Board of Directors

Article 20 The board of directors of the Company shall direct company strategies, supervise the management, and be responsible to the company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholders meetings.

The structure of the Company's board of directors shall be determined by choosing an appropriate number of board members, not less than five, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs.

The composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

I. Basic requirements and values: Gender, age, nationality, and culture.

- II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

- I. Ability to make operational judgments.
- II. Ability to perform accounting and financial analysis.
- III. Ability to conduct management administration.
- IV. Ability to conduct crisis management.
- V. Knowledge of the industry.
- VI. An international market perspective.
- VII. Ability to lead.
- VIII. Ability to make policy decisions.

Article 21 The Company shall, according to the principles for the protection of shareholder rights and interests and equitable treatment of shareholders, establish a fair, just, and open procedure for the election of directors, encourage shareholder participation, and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

Unless the competent authority otherwise grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the Company.

When the number of directors falls below five due to the discharge of a director for any reason, the company shall hold a by-election for director at the following shareholders meeting. When the number of directors falls short by one-third of the total number prescribed by the articles of incorporation, the company shall convene a special shareholders meeting within 60 days of the occurrence of that fact for a by-election for director(s).

The aggregate shareholding percentage of all of the directors of the Company shall comply with the laws and regulations. Restrictions on the share transfer of each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 22 The Company shall specify in its articles of incorporation in accordance with the laws and regulations of the competent authorities that it adopts the candidate nomination system for elections of directors, carefully review the qualifications of a nominated

candidate and the existence of any other matters set forth in Article 30 of the Company Act, and act in accordance with Article 192-1 of the Company Act.

Article 23 Clear distinctions shall be drawn between the responsibilities and duties of the chairperson of the board of the Company and those of its general manager. It is inappropriate for the chairperson to also act as the general manager or an equivalent post.

The Company with a functional committee shall clearly define the responsibilities and duties of the committee.

Section 2 Independent Director System

Article 24 The Company listed company shall appoint independent directors in accordance with its articles of incorporation. They shall be not less than two in number and not less than one-fifth of the total number of directors.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings. Applicable laws and regulations shall be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including independent director) or supervisor of more than five other TWSE/TPEX listed companies. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the company.

If the Company and its group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director, supervisor or managerial officer as a candidate for an independent director of the other, the Company shall, at the time it receives the nominations for independent directors, disclose the fact and explain the suitability of the candidate for independent director. If the candidate is elected as an independent director, the Company shall disclose the number of votes cast in favor of the elected independent director.

The "group enterprises and organizations" in the preceding paragraph comprise the subsidiaries of the Company, any foundation to which the Company's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons that are effectively controlled by the company.

Change of status between independent directors and non-independent directors during their term of office is prohibited.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of

Independent Directors and Compliance Matter for Public Companies, and the rules and regulations of the Taiwan Stock Exchange or Taipei Exchange.

Article 25 The Company shall submit the following matters to the board of directors for approval by resolution as provided in the Securities and Exchange Act. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting:

- I. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- II. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- III. A matter bearing on the personal interest of a director.
- IV. A material asset or derivatives transaction.
- V. A material monetary loan, endorsement, or provision of guarantee.
- VI. The offering, issuance, or private placement of any equity-type securities.
- VII. The hiring, discharge, or compensation of an attesting CPA.
- VIII. The appointment or discharge of a financial, accounting, or internal auditing officer.
- IX. Any other material matter so required by the competent authority.

Article 26 The Company shall stipulate the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power. The company or other board members shall not obstruct, reject or circumvent the performance of duties by the independent directors. The Company or other board members shall not obstruct, reject or circumvent the performance of duties by the independent directors.

The Company shall stipulate the remuneration of the directors according to applicable laws and regulations. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the company, and shall also take the overall operational risks of the company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

Section 3 Functional Committees

Article 27 For the purpose of developing supervisory functions and strengthening management

mechanisms, the board of directors of the Company, in consideration of the company's scale and type of operations and the number of its board members, may set up functional committees for auditing, remuneration, nomination, risk management or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, corporate social responsibility, or other committees, and expressly provide for them in the articles of incorporation.

Functional committees shall be responsible to the board of directors and submit their proposals to the board of directors for approval.

Functional committees shall adopt an organizational charter to be approved by the board of directors. The organizational charter shall contain the numbers, terms of office, and powers of committee members, as well as the meeting rules and resources to be provided by the company for exercise of power by the committee.

Article 28 The Company shall establish an audit committee.

The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.

The exercise of power by audit committee and independent directors and related matters shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations of the TWSE or TPEX.

Article 28-1 The Company shall establish a remuneration committee, and it is advisable that more than half of the committee members be independent directors. The professional qualifications for the committee members, the exercise of their powers of office, the adoption of the organizational charter, and related matters shall be handled pursuant to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

Article 28-2 The Company is advised to establish a nomination committee and its articles of association. It is advisable that a majority of the members of said committee be independent directors and an independent director be its chairperson

Article 28-3 The Company is advised to establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place. The unit that handles whistleblowers' reporting shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the

company's internal control system for management purposes.

Article 29

To improve the quality of its financial reports, the Company shall establish the position of deputy to its principal accounting officer.

To enhance the professional abilities of the deputy accounting officer of the preceding paragraph, the deputy's continuing education shall proceed following the schedule of the principal accounting officer.

Accounting personnel handling the preparation of financial reports shall also participate in relevant professional development courses for 6 hours or more each year. Those courses may be company internal training activities or may be professional courses offered by professional development institutions for principal accounting officers.

The Company shall select as its external auditor a professional, responsible, and independent attesting CPA, who shall perform regular reviews of the financial conditions and internal control measures of the company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the company shall faithfully implement improvement actions. It is advisable that the company establish channels and mechanisms of communication between the independent directors, the supervisor or audit committee, and the attesting CPA, and to incorporate procedures for that purpose into the company's internal control system for management purposes.

The Company shall evaluate the independence and suitability of the CPA engaged by the company regularly, and no less frequently than once annually. In the event that the company engages the same CPA without replacement for 5 years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the company shall evaluate the necessity of replacing the CPA and submit its conclusion to the board of directors.

Article 30

It is advisable that the Company engage a professional and competent legal counsel to provide adequate legal consultation services to the company, or to assist the directors, the supervisors and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws or regulations by the company or its staff and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.

When, as a result of performing their lawful duties, directors, supervisors or the management are involved in litigation or a dispute with shareholders, the Company shall retain a legal counsel to provide assistance as circumstances require.

The audit committee or an independent director may retain the service of legal counsel, CPA, or other professionals on behalf of the company to conduct a necessary audit or provide consultation on matters in relation to the exercise of their power, at the expense of the company.

Section 4 Rules for the Proceedings and Decision-Making Procedures of Board Meetings

Article 31 The board of directors of a TWSE/TPEX listed company shall meet at least once every quarter, or convene at any time in case of emergency. To convene a board meeting, a meeting notice which specifies the purposes of the meeting shall be sent to each director and supervisor no later than 7 days before the scheduled date. Sufficient meeting materials shall also be prepared and enclosed in the meeting notice. If the meeting materials are deemed inadequate, a director may ask the unit in charge to provide more information or request a postponement of the meeting with the consent of the board of directors.

The Company shall adopt rules of procedure for board meetings, which shall follow the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcements, and other matters for compliance.

Article 32 Company directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise voting rights on that matter. Matters requiring the voluntary recusal of a director shall be clearly set forth in the rules of procedure for board meetings.

Article 33 When a board meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act, an independent director of the Company shall attend the board meeting in person, and may not be represented by a non-independent director via proxy. When an independent director has a dissenting or qualified opinion, it shall be noted in the minutes of the board of directors meeting; if the independent director cannot attend the board meeting in person to voice his or her dissenting or qualified opinion, he or she should provide a written opinion before the board meeting unless there are justifiable reasons for failure to do so, and the opinion

shall be noted in the minutes of the board of directors meeting.

In any of the following circumstances, decisions made by the board of directors shall be noted in the meeting minutes, and in addition, publicly announced and filed on the MOPS two hours before the beginning of trading hours on the first business day after the date of the board meeting:

- I. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
- II. The matter was not approved by the audit committee (if the company has set up an audit committee), but had the consent of more than two-thirds of all directors.

During a board meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make reports on the current business conditions of the company and respond to inquiries raised by the directors.

Where necessary, a CPA, legal counsel, or other professional may be invited to sit in at the meetings to assist the directors in understanding the conditions of the company for the purpose of adopting an appropriate resolution, provided that they shall leave the meeting when deliberation or voting takes place.

Article 34

Staff personnel of the Company attending board meetings shall collect and correctly record the meeting minutes in detail, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the board meeting in accordance with relevant regulations.

The minutes of the board of directors meetings shall be signed by the chairperson and secretary of the meeting and sent to each director and supervisor within 20 days after the meeting. The director attendance records shall be made part of the meeting minutes, treated as important corporate records, and kept safe permanently during the life of the company.

Meeting minutes may be produced, distributed, and preserved by electronic means.

The Company shall record on audio or video tape the entire proceedings of a board of directors meeting and preserve the recordings for at least 5 years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises with respect to a resolution of a board of directors meeting, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.

Where a board of directors meeting is held via teleconference or video conference, the audio or video recordings of the meeting form a part of the meeting minutes and shall be preserved permanently.

When a resolution of the board of directors violates laws, regulations, the articles of incorporation, or resolutions adopted in the shareholders meeting, and thus causes an injury to the company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

Article 35 The Company shall submit the following matters to its board of directors for discussion:

- I. Corporate business plans.
- II. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be CPA audited and attested.
- III. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and evaluation of effectiveness of an internal control system.
- IV. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- V. The offering, issuance, or private placement of any equity-type securities.
- VI. The performance assessment and the standard of remuneration of the managerial officers.
- VII. The structure and system of director's remuneration.
- VIII. The appointment or discharge of a financial, accounting, or internal auditing officer.
- IX. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the next board meeting for retroactive recognition.
- X. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or to be approved by resolution at a meeting of the board of directors, or any such significant matter as may be prescribed by the competent authority.

Except for matters that must be submitted to the board of directors for discussion under the preceding paragraph, when the board of directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or its articles of incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

Article 36 The Company shall ask the appropriate corporate department or personnel to execute matters pursuant to board of directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up on those matters and faithfully review their implementation.

The board of directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the board's management decisions.

Section 5 Fiduciary Duty, Duty of Care and Responsibility of Directors

Article 37 Members of the board of directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by law for approval in shareholders meetings or in the articles of incorporation, they shall ensure that all matters are handled according to the resolutions of board of directors.

It is advisable that the Company formulate rules and procedures for board of directors performance assessments. Each year, in respect of the board of directors and individual directors, it shall conduct regularly scheduled performance assessments through self-assessments or peer-to-peer assessments, and may also do so through outside professional institutions or in any other appropriate manner. A performance assessment of the board of directors shall include the following aspects, and appropriate assessment indicators shall be developed in consideration of the company's needs:

- I. The degree of participation in the company's operations.
- II. Improvement in the quality of decision making by the board of directors.
- III. The composition and structure of the board of directors.
- IV. The election of the directors and their continuing professional education.
- V. Internal controls.

The performance assessments of board members (self-assessments or peer-to-peer assessments) shall include the following aspects, with appropriate adjustments made on the basis of the company's needs:

- I. Their grasp of the company's goals and missions.
- II. Their recognition of director's duties.
- III. The degree of participation in the company's operations.
- IV. Their management of internal relationships and communication.
- V. Their professionalism and continuing professional education.
- VI. Internal controls.

It is advisable that the Company conduct performance assessments of a functional

committee, covering the following aspects, with appropriate adjustments made on the basis of the company's needs:

- I. The degree of participation in the company's operations.
- II. Their recognition of the duties of the functional committee.
- III. Improvement in the quality of decision making by the functional committee.
- IV. The composition of the functional committee, and election and appointment of committee members.
- V. Internal controls.

The Company is advised to submit the results of performance assessments to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term.

Article 37-1 Article 37-1 It is advisable for the Company to establish a succession plan for the management. The development and implementation of such plan shall be periodically evaluated by the board of directors to ensure sustainable operation.

Article 37-2 The board of directors is advised to evaluate and monitor the following aspects of the Company's direction of operation and performance in connection with intellectual properties, to ensure the company develops an intellectual property regulatory system in accordance with the Plan-Do-Check-Act cycle:

- I. Formulate intellectual property regulatory policies, objectives and systems that are slightly associated with the operational strategies.
- II. Develop, implement and maintain on the basis of scale and form its regulatory systems governing the procurement, protection, maintenance and utilization of intellectual properties.
- III. Identify and provide the necessary resources sufficient to ensure effective implementation and maintenance of the intellectual property regulatory system.
- IV. Observe internally and externally the risks and opportunities that intellectual property regulation may present and adopt corresponding measures.
- V. Plan for and implement a continuous improvement mechanism to ensure the operation and effects of the intellectual property regulatory regime meet the company's expectations.

Article 38 If a resolution of the board of directors violates law, regulations or the company's articles of incorporation, then at the request of shareholders holding shares continuously for a year or an independent director, or at the notice of a supervisor to discontinue the implementation of the resolution, members of the board shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering a likelihood that the company would suffer material injury, members of the board of directors shall immediately report to the audit committee, an independent director member of the audit committee, or a supervisor in accordance with the foregoing paragraph.

Article 39 The Company shall take out directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoings or negligence of a director.

The Company shall report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has taken out or renewed for directors, at the next board meeting.

Article 40 Members of the board of directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors of TWSE/TPEX Listed Companies, which cover subjects relating to corporate governance upon becoming directors and throughout their terms of occupancy. They shall also ensure that company employees at all levels will enhance their professionalism and knowledge of the law.

Chapter IV Empowering the Audit Committee

Section 1 Functions of the Audit Committee

Article 41 The Company shall stipulate a fair, just, and open procedure for the election of independent directors, and shall adopt a cumulative voting mechanism pursuant to the Company Act to fully reflect the opinions of the shareholders.

The Company shall take into consideration the needs of overall business operations and comply with the rules of the TWSE or TPEX in setting the minimum number of independent directors.

The aggregate shareholding percentage of all of the independent directors of the Company shall comply with laws and regulations. Restrictions on share transfers by each supervisor and the creation, release, or changes in pledges of shares held by each independent director shall comply with the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 42 The Company shall specify in its articles of incorporation in accordance with the laws and regulations of the competent authorities that it adopts the candidate nomination system for elections of independent directors, carefully review the qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the

Company Act, and act in accordance with Article 192-1 of the Company Act.

Article 43

Unless otherwise approved by the competent authority, at least one independent directors seat shall have no spousal relationship or familial relationship within the second degree of kinship with another independent director or a director.

The Company is advised to refer to the provisions on independence provided in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and appoint a suitable independent director to enhance the risk management and financial and operational control of the Company.

The independent directors will preferably be domiciled within the territory of the ROC to allow timely performance of supervisory functions.

Section 2 Powers and Obligations of the Audit Committee

Article 44

The independent directors in the Audit Committee shall be familiar with the relevant laws and regulations, and shall understand the rights, obligations, and duties of directors of the company and the functions, duties, and operation of each department. An independent director shall attend meetings of the board of directors to supervise their operations and to state his/her opinions when appropriate so as to grasp or discover any abnormal situation early on.

The Company shall stipulate the independent director's remuneration in its articles of incorporation or by an approval in a shareholders meeting.

Article 45

The Audit Committee shall supervise the implementation of the operations of the company, and the performance of duties by directors and managers, and care the enforcement of the internal control system so as to reduce the financial and operational risks of the company.

Where a director, for himself/herself or on behalf of others, enters into a sale/purchase or loan transaction, or conducts any legal act with the company, an independent director member of the audit committee shall act as the representative of the company in the above situation.

Article 46

The Audit Committee may investigate the operational and financial conditions of the company from time to time, and the relevant departments in the company shall provide the books or documents that will be needed for the supervisor's review, transcription or duplication.

When reviewing the finance or operations of the company, an independent director may retain attorneys or CPAs on behalf of the company to perform the review; however, the company shall inform the relevant persons of their confidentiality obligations.

The board of directors or managers shall submit reports in accordance with the request

of the Audit Committee and shall not for any reason circumvent, obstruct, or refuse the inspection of the Audit Committee.

When the Audit Committee performs its duties, the Company shall provide necessary assistance as needed by the supervisor, and the reasonable expenses that the Audit Committee needs shall be borne by the Company.

Article 47 For the Audit Committee to timely discover any possible irregular conduct in the company, the Company shall establish a channel for the Audit Committee to communicate with the employees, shareholders, and stakeholders.

Upon discovering any irregular conduct, the Audit Committee shall take appropriate measures timely to curb the expansion of the irregular conduct, and file a report to the relevant regulatory authorities or agencies if necessary.

When an independent director or general manager, an officer of the finance, accounting, research and development, or internal audit department, or a CPA resigns or is removed from his/her position, the Audit Committee shall investigate the reasons.

In the event that the Audit Committee neglects its duties and therefore causes harm to the company, the Audit Committee shall be liable to the Company.

Article 48 **(This article is deleted as it is the provision especially to enable supervisors to exercise their duties independent, but it is not applicable to the Audit Committee as it adopts the collegiate system)**

Chapter V Respecting Stakeholders' Rights

Article 49 The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the company, respect and safeguard their legal rights and interests, and designate a stakeholders section on its website.

When any of a stakeholder's legal rights or interests is harmed, the company shall handle the matter in a proper manner and in good faith.

When any of a stakeholder's legal rights or interests is harmed, the company shall handle the matter in a proper manner and in good faith.

Article 50 The Company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of the company and its decision-making process. When any of their legal rights or interest is harmed, the company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 51 The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management, directors, or supervisors so as to reflect employees' opinions about the management, financial

conditions, and material decisions of the company concerning employee welfare.

Article 52

In developing its normal business and maximizing the shareholders' interest, the Company shall pay attention to consumers' interests, environmental protection of the community, and public interest issues, and shall give serious regard to the company's social responsibility.

Chapter VI Improving Information Transparency

Section 1 Enhancing Information Disclosure

Article 53 Disclosure of information is a major responsibility of the Company. The Company shall perform its obligations faithfully in accordance with the relevant laws and the related TWSE and TPEX rules.

The Company is advised to publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.

The Company shall establish an Internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.

Article 54 In order to enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the Company in making statements independently.

The Company shall appoint one or more acting spokespersons who shall represent the company, when the spokesperson cannot perform his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion. In order to implement the spokesperson system, the Company shall unify the process of making external statements. It shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

The Company shall disclose the relevant information immediately whenever there is any change to the position of a spokesperson or acting spokesperson.

Article 55 In order to keep shareholders and stakeholders fully informed, the Company shall utilize the convenience of the Internet and set up a website containing the information regarding the company's finances, operations, and corporate governance.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.

Article 56 The Company shall hold an investor conference in compliance with the regulations of the TWSE and TPEX, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be

disclosed on the Market Observation Post System and provided for inquiry through the website established by the company, or through other channels, in accordance with the TWSE or TPEX rules.

Section 2 Disclosure of Information on Corporate Governance

Article 57 The Company shall disclose and update from time to time the following information regarding corporate governance in the fiscal year in accordance with laws and regulations and TWSE or TPEX rules (disclosure of supervisors' information is not required if the company has an audit committee):

- I. Corporate governance framework and rules.
- II. Ownership structure and the rights and interests of shareholders, including specific and explicit dividend policy).
- III. The structure of the board of directors, and professionalism and independence of the board members
- IV. Responsibility of the board of directors and managerial officers.
- V. Composition, duties and independence of the audit committee or supervisors.
- VI. Composition, duties and operation of the remuneration committee and other functional committees.
- VII. The remuneration paid to the directors, general manager and vice general manager in the last two fiscal years, the analysis of the percentage of total remuneration to net profit after tax in the parent company only financial reports or individual financial reports, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance and future risk. Under special individual circumstances, remuneration of individual directors and supervisors shall be disclosed.
- VIII. The progress of training of directors.
- IX. The rights, relationships, avenues for complaint, concerns, and appropriate response mechanism regarding stakeholders.
- X. The details of implementations for the matters required to be publicly disclosed by laws and regulations
- XI. Details of the events subject to information disclosure required by law and regulations.
- XII. Other information regarding corporate governance.

The Company is advised, according to the actual performance of the corporate governance system, to disclose the plans and measures to improve its corporate

governance system through appropriate mechanisms.

Chapter VII Supplementary Provisions

- Article 58 The Company shall at all times monitor domestic and international developments in corporate governance as a basis for review and improvement of the company's own corporate governance mechanisms, so as to enhance their effectiveness.
- Article 59 The Corporate Governance Best Practice Principles are implemented upon the approval of the board of directors; the same applies to amendments.
- Article 60 The Principles were established on December 25, 2014.
The 1st amendment was made on March 25, 2019.
The 2nd amendment was made on May 12, 2020.

Independent Auditors' Report

To the Board of Directors of TEX-RAY INDUSTRIAL CO., LTD.

Opinion

We have audited the financial statements of TEX-RAY INDUSTRIAL CO., LTD.(“the Company”), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters that in our professional judgement, should be communicated are as follows:

1. Revenue recognition

Please refer to Note 4(p) for the accounting policies on revenue and Note 6(r) “Revenue from contracts with customers” for the details of the related disclosure.

Description of the key audit matter:

The Company is in the garment textile industry. In order to enhance the international competency, the management adopts global layout as its business strategy and adds multiple production and sales supply chains overseas. Therefore, the extent of influence of local laws and political and economic changes in various countries to such strategy increases dramatically. Resulting in that the revenue recognition is regarded as highly concerns. Therefore, the Company's revenue recognition has been identified as one of the key audit matters.

How the matter was addressed in our audit:

We have performed certain audit procedures including understanding the design of internal controls over the recognition of revenue and the collection of receivables, performing test of details by inspecting the sales orders, shipping records, invoices and documents related to accounts receivable and cash collection and assessing the adequacy of revenue recognition. Furthermore, we also performed sample testing for verification from transactions within a period before and after balance sheet date to determine whether the revenue is recognized in appropriate period.

2. Valuation of accounts receivable

For the accounting policies on the valuation of accounts receivable, please refer to Note 4(f). Refer to Note 5(a) for the accounting estimates and assumptions related to the valuation of accounts receivable on reporting date and refer to Note 6(c) for the details of the accounts receivable.

Description of the key audit matter:

As of December 31, 2020, the accounts receivable of the Company was \$447,377 thousand. We have considered that the Company's trading partners are scattered in different industries and geographic regions, how the management control credit risk of its customer is thoroughly important. Therefore, the impairment assessment of accounts receivable has been identified as one of the key audit matters.

How the matter was addressed in our audit:

We have performed certain audit procedures including inspecting the controls over customer credit assessment process, analyzing the accounts receivable aging table, viewing past collection experience of customers and checking cash collection records after the reporting date to evaluate whether the impairment of the accounts receivable has been properly assessed.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Yang Tseng and Ti-Nuan Chien.

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2022

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

Independent Auditors' Report

To the Board of Directors of TEX-RAY INDUSTRIAL CO., LTD.

Opinion

We have audited the financial statements of TEX-RAY INDUSTRIAL CO., LTD. (“the Company”), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters that in our professional judgement, should be communicated are as follows:

1. Revenue recognition

Please refer to Note 4(p) for the accounting policies on revenue and Note 6(r) “Revenue from contracts with customers” for the details of the related disclosure.

Description of the key audit matter:

The Company is in the garment textile industry. In order to enhance the international competency, the management adopts global layout as its business strategy and adds multiple production and sales supply chains overseas. Therefore, the extent of influence of local laws and political and economic changes in various countries to such strategy increases dramatically. Resulting in that the revenue recognition is regarded as highly concerns. Therefore, the Company's revenue recognition has been identified as one of the key audit matters.

How the matter was addressed in our audit:

We have performed certain audit procedures including understanding the design of internal controls over the recognition of revenue and the collection of receivables, performing test of details by inspecting the sales orders, shipping records, invoices and documents related to accounts receivable and cash collection and assessing the adequacy of revenue recognition. Furthermore, we also performed sample testing for verification from transactions within a period before and after balance sheet date to determine whether the revenue is recognized in appropriate period.

2. Valuation of accounts receivable

For the accounting policies on the valuation of accounts receivable, please refer to Note 4(f). Refer to Note 5(a) for the accounting estimates and assumptions related to the valuation of accounts receivable on reporting date and refer to Note 6(c) for the details of the accounts receivable.

Description of the key audit matter:

As of December 31, 2020, the accounts receivable of the Company was \$447,377 thousand. We have considered that the Company's trading partners are scattered in different industries and geographic regions, how the management control credit risk of its customer is thoroughly important. Therefore, the impairment assessment of accounts receivable has been identified as one of the key audit matters.

How the matter was addressed in our audit:

We have performed certain audit procedures including inspecting the controls over customer credit assessment process, analyzing the accounts receivable aging table, viewing past collection experience of customers and checking cash collection records after the reporting date to evaluate whether the impairment of the accounts receivable has been properly assessed.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Yang Tseng and Ti-Nuan Chien.

KPMG

Taipei, Taiwan (Republic of China)

March 28, 2022

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

TEX-RAY INDUSTRIAL CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	2021		2020	
	Amount	%	Amount	%
4000 Operating revenues (Notes 6(r) and 7)	\$ 3,110,103	100	5,626,250	100
5000 Operating costs (Notes 6(d), (n) and 7)	2,572,050	83	4,310,188	77
5900 Gross profit from operations	538,053	17	1,316,062	23
5910 Less: Unrealized profit from sales	(13,236)	-	(7,336)	-
5920 Add: Realized profit on from sales	7,336	-	10,250	-
5950 Gross profit from operations	532,153	17	1,318,976	23
6000 Operating expenses (Note 6(n) and (s)):				
6100 Selling expenses	360,587	12	718,559	13
6200 Administrative expenses	102,848	3	181,733	3
6300 Research and development expenses	7,571	-	13,248	-
	471,006	15	913,540	16
6900 Net operating income	61,147	2	405,436	7
7000 Non-operating income and expenses:				
7010 Other income (Notes 6(t) and 7)	35,218	1	17,470	-
7020 Other gains and losses, net (Note 6(t))	18,786	1	(82,566)	(1)
7100 Interest income (Notes 6(t) and 7)	2,107	-	4,694	-
7070 Share of loss of subsidiaries, associates and joint ventures accounted for using equity method, net	(100,901)	(3)	(92,754)	(2)
7510 Interest expense (Note 6(t))	(31,960)	(1)	(34,106)	(1)
	(76,750)	(2)	(187,262)	(4)
(Loss) profit before tax	(15,603)	-	218,174	3
7950 Less: Income tax expenses (Note 6(o))	15,279	-	50,054	1
(Loss) profit	(30,882)	-	168,120	2
8300 Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss				
8311 Gain (loss) on remeasurements of defined benefit plans	2,427	-	(1,622)	-
8312 Gains on revaluation surplus	59,893	2	873,576	16
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	-	-	(142)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified subsequently to profit or loss	-	-	112,410	2
Items that will not be reclassified subsequently to profit or loss	62,320	2	759,402	14
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(126,919)	(4)	(183,905)	(3)
8399 Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss	(126,919)	(4)	(183,905)	(3)
8300 Other comprehensive income	(64,599)	(2)	575,497	11
8500 Total comprehensive income	\$ (95,481)	(2)	743,617	13
Basic earnings per share (Note 6(q))				
9750 Basic earnings per share (dollars)	\$ (0.13)		0.72	
9850 Diluted earnings per share (dollars)	\$ (0.13)		0.72	

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TEX-RAY INDUSTRIAL CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
(Loss) profit before tax	\$ (15,603)	218,174
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	18,410	26,175
Amortization expense	7,319	6,264
Reversal of provision for expected credit loss	(60)	(1,010)
Loss on financial assets at fair value through profit or loss	(111)	128
Interest expense	31,960	34,106
Interest income	(2,107)	(4,694)
Dividend income	(21)	(22)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	100,901	92,754
(Gain) loss on disposal of property, plan and equipment	(7,152)	2,780
Impairment loss on non-financial assets	-	4,000
Unrealized profit from sales	5,900	-
Realized profit from sales	-	(2,914)
(Gain) Loss on fair value adjustment of investment property	(21,048)	18,948
Other income	(2,203)	(1,649)
Other losses	-	605
Total adjustments to reconcile profit	<u>131,788</u>	<u>175,471</u>
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	723	485
Decrease in notes receivable	500	21,293
Increase in notes receivable due from related parties	(96)	-
(Increase) decrease in accounts receivable	(108,480)	(126,215)
Decrease (increase) in accounts receivable due from related parties	12,299	(11,539)
Decrease (increase) in other receivables	735	(2,418)
Decrease (increase) in other receivables due from related parties	105,803	(89,713)
(Increase) decrease in inventories	(56,932)	(185,641)
Decrease in prepayments	19,935	15,879
Decrease in other current assets	69	(90)
Decrease (increase) in other financial assets	4,692	(4,799)
Total changes in operating assets	<u>(20,752)</u>	<u>(382,758)</u>
Changes in operating liabilities:		
(Decrease) increase in contract liabilities	(17,352)	17,895
Increase in notes payable	(37,890)	(12,325)
Decrease in notes payable due to related parties	(13)	13
Increase in accounts payable	57,704	52,430
Decrease in accounts payable due to related parties	(21,039)	(9,348)
(Decrease) increase in other payables	(214,503)	220,478
Decrease in other payable due to related parties	(227)	(397)
(Decrease) increase in advance receipts	(4,679)	4,679
Increase in other current liabilities	4,884	713
Decrease in net defined benefit liability	(2,919)	(5,462)
Decrease in other operating liabilities	(257)	(541)
Total changes in operating liabilities	<u>(236,291)</u>	<u>268,135</u>
Total changes in operating assets and liabilities	<u>(257,043)</u>	<u>(114,623)</u>
Total adjustments	<u>(125,255)</u>	<u>60,848</u>
Cash (outflow) inflow generated from operations	(140,858)	279,022
Interest received	2,107	4,694
Dividends received	21	22
Interest paid	(32,094)	(34,173)
Income taxes paid	(16,108)	(1,614)
Net cash flows from operating activities	<u>(186,932)</u>	<u>247,951</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TEX-RAY INDUSTRIAL CO., LTD.

Statements of Cash Flows (CONT'D)

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from investing activities:		
Acquisition of investments accounted for using equity method	(433,850)	(25,000)
Increase in prepayments for investments	-	(9,092)
Proceeds from liquidation of investments accounted for using equity method	-	20,000
Acquisition of property, plant and equipment	(4,590)	(5,954)
Proceeds from disposal of property, plant and equipment	9,084	18,221
Acquisition of intangible assets	(1,430)	(18,609)
Decrease in other financial assets	14,813	94,412
Increase in other non-current assets	-	(2,133)
Net cash flows from investing activities	(415,973)	71,845
Cash flows from (used in) financing activities:		
Increase in short-term loans	566,624	309,293
Decrease in short-term loans	(246,614)	(761,025)
Increase in short-term notes and bills payable	49,924	249,660
Proceeds from long-term debt	-	1,400,000
Repayments of long-term debt	(38,250)	(1,183,811)
Payment of lease liabilities	(6,720)	(7,275)
Decrease in other financial assets	-	110,143
Cash dividends paid	(163,537)	-
Issuance of preference shares by subsidiaries	26,435	-
Disposal of ownership interests in subsidiaries (without losing control)	16,378	-
Net cash flows from (used in) financing activities	204,240	116,985
Net (decrease) increase in cash and cash equivalents	(398,665)	436,781
Cash and cash equivalents at beginning of period	512,083	75,302
Cash and cash equivalents at end of period	\$ 113,418	512,083

Independent Auditors' Report

To the Board of Directors of TEX-RAY INDUSTRIAL CO., LTD.:

Opinion

We have audited the consolidated financial statements of TEX-RAY INDUSTRIAL CO., LTD. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters that in our professional judgement, should be communicated are as follows:

1. Revenue recognition

Please refer to Note 4(p) for the accounting policies on revenue and Note 6(t) “Revenue from contracts with customers” for the details of the related disclosure.

Description of key audit matter:

The Group is in the garment textile industry. In order to enhance the international competency, the management adopts global layout as its business strategy and adds multiple production and sales supply chains overseas. Therefore, the extent of influence of local laws and political and economic changes in various countries to such strategy increases dramatically. Resulting in that the revenue recognition is regarded as highly concerns. Therefore, the Group's revenue recognition has been identified as one of the key audit matters.

How the matter was addressed in our audit:

We have performed certain audit procedures including understanding the design of internal controls over the recognition of revenue and the collection of receivables, performing test of details by inspecting the sales orders, shipping records, invoices and documents related to accounts receivable and cash collection, and sending confirmation letters to verify the sales records and assessing the adequacy of revenue recognition. Furthermore, we also performed sample testing for verification from transactions within a period before and after balance sheet date to determine whether the revenue is recognized in appropriate period.

2. Valuation of accounts receivable

For the accounting policies on the valuation of accounts receivable, please refer to Note 4(g). Refer to Note 5(a) for the accounting estimates and assumptions related to the valuation of accounts receivable on reporting date and refer to Note 6(c) for the details of the accounts receivable.

Description of key audit matter:

As of December 31, 2021, the accounts receivable of the Group was \$1,293,485 thousand . We have considered that the Group's trading partners are scattered in different industries and geographic regions, how the management control credit risk of its customer is thoroughly important. Therefore, the impairment assessment of accounts receivable has been identified as one of the key audit matters.

How the matter was addressed in our audit:

We have performed certain audit procedures including inspecting the controls over customer credit assessment process, analyzing the accounts receivable aging table, viewing past collection experience of customers and checking cash collection records after the reporting date to evaluate whether the impairment of the accounts receivable has been properly assessed.

Other Matter

TEX-RAY INDUSTRIAL CO., LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Yang Tseng and Ti-Nuan Chien.

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020		December 31, 2021		December 31, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents(Note 6(a))	\$ 1,343,026	16	1,368,318	17	2100 Short-term borrowings(Note 6(k))	\$	1,432,249	17
1110 Current financial assets at fair value through profit or loss(Note 6(b))	-	-	612	-	2110 Short-term notes and bills payable(Note 6(l))	299,584	4	249,660
1150 Notes receivable, net(Note 6(c) and 7)	1,232	-	1,877	-	2130 Current contract liabilities(Note 6(t))	80,400	1	69,478
1170 Accounts receivable, net(Note 6(c), 7 and 8)	1,293,485	15	1,104,272	14	Notes payable	9,456	-	47,541
1200 Other receivables, net(Note 6(d) and 7)	110,610	1	91,709	1	Accounts payable	872,157	10	724,724
1220 Current tax assets	4,827	-	7,586	-	Other payables	296,294	4	525,840
1310 Inventories, manufacturing business, net(Note 6(c))	1,495,212	17	1,328,599	16	Other payables to related parties(Note 7)	29,061	-	14,500
1410 Prepayments	129,439	2	165,395	2	Current tax liabilities	101,417	1	99,152
1470 Other current assets(Note 7)	3,149	-	4,173	-	Advance receipts	24,935	-	17,886
1476 Other current financial assets(Note 8)	172,533	2	201,764	2	Current lease liabilities(Note 6(n))	33,277	-	23,650
	<u>4,553,513</u>	<u>53</u>	<u>4,274,305</u>	<u>52</u>	Long-term liabilities, current portion(Note 6(m))	226,251	3	391,874
					Other current liabilities	7,960	-	5,601
Non-current assets:						<u>3,413,041</u>	<u>40</u>	<u>3,020,975</u>
1517 Non-current financial assets at fair value through other comprehensive income(Note 6(b))	10,689	-	10,682	-				
1600 Property, plant and equipment(Note 6(g) and 8)	1,984,873	23	2,074,710	26	Non-Current liabilities:			
1755 Right-of-use assets(Note 6(h) and 8)	280,832	3	159,488	2	Long-term borrowings(Note 6(m))	1,691,168	20	1,464,169
1760 Investment property, net(Note 6(i) and 8)	1,422,784	17	1,225,984	15	Deferred tax liabilities(Note 6(q))	178,613	2	178,363
1780 Intangible assets(Note 6(j))	248,238	3	262,983	3	Non-current lease liabilities(Note 6(n))	189,775	2	67,025
1840 Deferred tax assets(Note 6(g))	61,783	1	45,800	1	Net defined benefit liability, non-current(Note 6(p))	21,933	-	27,701
1960 Non-current prepayments for investments	9,092	-	9,092	-	Other non-current liabilities, others(Note 9(b))	16,966	-	22,687
1980 Other non-current financial assets(Note 8)	38,196	-	44,816	1		<u>2,098,455</u>	<u>24</u>	<u>1,759,945</u>
1990 Other non-current assets, others	8,265	-	5,060	-	Total liabilities	<u>5,511,496</u>	<u>64</u>	<u>4,780,920</u>
	<u>4,064,752</u>	<u>47</u>	<u>3,838,615</u>	<u>48</u>	Equity attributable to owners of parent (Note 6(q)):			
					Ordinary share	2,336,247	27	2,336,247
					Capital surplus(Note 7)	239,714	3	234,052
					Retained earnings	281,648	3	473,640
					Other equity interest	77,073	1	144,099
					Non-controlling interests	172,087	2	143,962
						<u>3,106,769</u>	<u>36</u>	<u>3,332,000</u>
					Total equity	<u>8,618,265</u>	<u>100</u>	<u>8,112,920</u>
					Total liabilities and equity	<u>\$ 8,618,265</u>	<u>100</u>	<u>\$ 8,112,920</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	2021		2020	
	Amount	%	Amount	%
4000 Operating revenue (Notes 6(t) and 7)	\$ 6,637,936	100	8,598,587	100
5000 Operating costs (Notes 6(e) and (n))	<u>5,311,863</u>	<u>80</u>	<u>6,382,107</u>	<u>74</u>
5900 Gross profit from operations	1,326,073	20	2,216,480	26
6100 Selling expenses	667,571	10	1,002,826	11
6200 Administrative expenses	484,526	7	568,097	7
6300 Research and development expenses	56,694	1	57,702	1
6450 Expected credit loss (gain)	<u>23,248</u>	-	<u>155,294</u>	<u>2</u>
Operating expenses (Notes 6(n) and (s))	<u>1,232,039</u>	<u>18</u>	<u>1,783,919</u>	<u>21</u>
6900 Net operating income (loss)	<u>94,034</u>	<u>2</u>	<u>432,561</u>	<u>5</u>
7000 Non-operating income and expenses:				
7010 Other income (Notes 6(v) and 7)	3,748	-	4,171	-
7020 Other gains and losses, net (Note 6(v))	49,872	1	(87,678)	(1)
7100 Interest income (Note 6(v))	20,927	-	14,675	-
7510 Interest expense (Notes 6(v) and 7)	(94,919)	(1)	(96,467)	(1)
7770 Share of loss of associates and joint ventures accounted for using equity method (Note 6(f))	-	-	(760)	-
	<u>(20,372)</u>	-	<u>(166,059)</u>	<u>(2)</u>
7900 Profit from continuing operations before tax	73,662	2	266,502	3
7950 Less: Income tax expenses (Note 6(q))	116,417	2	101,727	1
(Loss) profit	<u>(42,755)</u>	-	<u>164,775</u>	<u>2</u>
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	2,594	-	(1,991)	-
8312 Gains on revaluation surplus	59,893	-	873,576	10
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	-	-	(224)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	112,410	1
Components of other comprehensive income that will not be reclassified to profit or loss	<u>62,487</u>	-	<u>758,951</u>	<u>9</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(127,510)	(2)	(183,051)	(2)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	<u>(127,510)</u>	<u>(2)</u>	<u>(183,051)</u>	<u>(2)</u>
8300 Other comprehensive income	<u>(65,023)</u>	<u>(2)</u>	<u>575,900</u>	<u>7</u>
Total comprehensive income	<u>\$ (107,778)</u>	<u>(2)</u>	<u>740,675</u>	<u>9</u>
(Loss) profit, attributable to:				
Owners of parent	\$ (30,882)	-	168,120	2
Non-controlling interests	(11,873)	-	(3,345)	-
	<u>\$ (42,755)</u>	-	<u>164,775</u>	<u>2</u>
Comprehensive income attributable to:				
Owners of parent	\$ (95,481)	(2)	743,617	9
Non-controlling interests	(12,297)	-	(2,942)	-
	<u>\$ (107,778)</u>	<u>(2)</u>	<u>740,675</u>	<u>9</u>
Basic earnings per share (Note 6(s))				
Basic earnings per share (dollars)	\$	<u>(0.13)</u>		<u>0.72</u>
Diluted earnings per share (dollars)	\$	<u>(0.13)</u>		<u>0.72</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Total other equity interest			
	Retained earnings			Exchange differences on translation of foreign financial statements			Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			Revaluation surplus	Total equity attributable to owners of parent	Non-controlling interests	Total equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Unappropriated retained earnings	Total retained earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income					
Balance at January 1, 2020	\$ 2,336,247	235,155	166,655	201,749	(61,262)	307,142	168,120	168,120	(664,266)	(36,362)	267,608	2,445,524	123,639	2,569,163
Profit	-	-	-	-	168,120	168,120	-	-	-	-	-	168,120	(3,345)	164,775
Other comprehensive income	-	-	-	-	(1,622)	(1,622)	(183,905)	(142)	(142)	(142)	761,166	575,497	403	575,900
Total comprehensive income	-	-	-	-	166,498	166,498	(183,905)	(142)	(142)	(142)	761,166	743,617	(2,942)	740,675
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(1,103)	-	-	-	-	-	-	-	-	-	(1,103)	-	(1,103)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	23,265	23,265
Balance at December 31, 2020	2,336,247	234,052	166,655	201,749	105,236	473,640	(848,171)	(36,504)	(36,504)	1,028,774	3,188,038	143,962	(11,873)	3,332,000
Loss	-	-	-	-	(30,882)	(30,882)	-	-	-	-	-	(30,882)	(42,755)	(42,755)
Other comprehensive income	-	-	-	-	2,427	2,427	(126,919)	-	-	-	59,893	(64,599)	(424)	(65,023)
Total comprehensive income	-	-	-	-	(28,455)	(28,455)	(126,919)	-	-	-	59,893	(95,481)	(12,297)	(107,778)
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(201,749)	201,749	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	10,523	-	(10,523)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(163,537)	(163,537)	-	-	-	-	-	(163,537)	-	(163,537)
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	5,164	-	-	-	-	-	-	-	-	-	5,164	-	5,164
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	498	498
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	40,422	40,422
Balance at December 31, 2021	\$ 2,336,247	239,714	177,178	-	104,470	281,648	(975,090)	(36,504)	(36,504)	1,088,667	2,934,682	172,087	(107,778)	3,106,769

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 73,662	266,502
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	206,525	237,061
Amortization expense	17,488	17,674
Provision (reversal of provision) for expected credit loss	23,248	155,294
(Gain) loss on financial assets or liabilities at fair value through profit or loss	(111)	128
Interest expense	94,919	96,467
Interest income	(20,927)	(14,675)
Dividend income	(21)	(22)
Share-based payments	3,028	-
Share of loss of associates and joint ventures accounted for using equity method	-	760
Loss on disposal of property, plan and equipment	808	14,009
Loss on disposal of intangible assets	146	-
Impairment loss on financial assets	-	72,259
(Gain) loss on fair value adjustment of investment property	(27,988)	18,948
(Gain) loss on lease modification	(26)	707
Total adjustments to reconcile profit	<u>297,089</u>	<u>598,610</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in notes receivable	645	23,536
Increase in accounts receivable	(273,254)	(227,444)
Increase in other receivable	(25,408)	(1,445)
Decrease (increase) in inventories	(236,582)	(41,711)
Decrease (increase) in prepayments	58,809	(42,653)
Decrease in other current assets	828	872
Decrease (increase) in other financial assets	3,919	(9,434)
Total changes in operating assets	<u>(471,043)</u>	<u>(298,279)</u>
Changes in operating liabilities:		
Increase in contract liabilities	14,762	7,260
Decrease in notes payable	(38,085)	(15,517)
Increase in accounts payable	194,876	153,947
(Decrease) increase in other payable	(192,260)	213,302
Increase in other payable to related parties	14,612	9,500
Increase in other current liabilities	2,241	1,765
Decrease in net defined benefit liability	(3,174)	(5,939)
Increase (decrease) in other operating liabilities	5,054	(61,845)
Total changes in operating liabilities	<u>(1,974)</u>	<u>302,473</u>
Total changes in operating assets and liabilities	<u>(473,017)</u>	<u>4,194</u>
Total adjustments	<u>(175,928)</u>	<u>602,804</u>
Cash (outflow) inflow generated from operations	(102,266)	869,306
Interest received	20,927	14,675
Dividends received	21	22
Interest paid	(94,786)	(97,920)
Income taxes paid	(153,850)	(76,879)
Net cash flows from (used in) operating activities	<u>(329,954)</u>	<u>709,204</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2021	2020
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(9,500)
Proceeds from disposal of financial assets at fair value through profit or loss	723	485
Increase in prepayments for investments	-	(9,092)
Proceeds from capital reduction of investments accounted for using equity method	-	1,781
Acquisition of property, plant and equipment	(195,152)	(177,493)
Proceeds from disposal of property, plant and equipment	16,723	22,795
Acquisition of intangible assets	(5,645)	(17,636)
Decrease in other financial assets	28,640	-
Increase in other non-current assets	(24,335)	(31,327)
Net cash flows from (used in) investing activities	(179,046)	(219,987)
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,975,628	1,278,913
Decrease in short-term loans	(1,394,448)	(1,838,672)
Increase in short-term notes and bills payable	49,924	249,660
Proceeds from long-term debt	511,765	1,560,673
Repayments of long-term debt	(451,627)	(1,323,377)
Payment of lease liabilities	(32,093)	(46,437)
Decrease in other financial liabilities	-	205,945
Cash dividends paid	(163,537)	-
Change in non-controlling interests	43,057	7,670
Net cash flows from financing activities	538,669	94,375
Effect of exchange rate changes on cash and cash equivalents	(54,961)	(58,731)
Net (decrease) increase in cash and cash equivalents	(25,292)	524,861
Cash and cash equivalents at beginning of period	1,368,318	843,457
Cash and cash equivalents at end of period	\$ 1,343,026	1,368,318

Tex-ray Industrial Co., Ltd.
2021 Table of Profit/Loss Appropriation

Unit: NTD

Item	Amount	Remarks
Deficit to be compensated at the beginning of the period	132,923,143	<p>If Company has a surplus at the end of a fiscal year, it shall pay taxes and compensate the cumulative deficit first; then appropriate 10% for the legal reserve before setting aside an amount for or reversing the special reserve in accordance with the relevant laws and regulations. With the balance, together with the undistributed profit, the Board of Directors shall put forth a profit distribution proposal to the shareholders' meeting for resolution before distribution.</p> <p>The Company is at the stage of growth, and adopts the residual dividend policy. The Company shall work out the capital demands in the next few years based on the future budget plan, and shall retain profits for working capital so as to avoid excessive dilution. Dividends on the shares shall not exceed 50% of the dividend bonus of the year. The remaining balance shall be allocated in the form of cash dividends.</p>
Net loss for the current period	(30,881,968)	
Other comprehensive income	2,426,971	
Undistributed profit at the end of the period	104,468,146	

Note: Due to the net loss before tax in 2011, no dividends for employees and remuneration for directors will be distributed

Chairman: Lin Zui Yeh

Manager: Yang Weihai

Accounting Supervisor: Wu Jianzhong

TEX-RAY INDUSTRIAL CO., LTD.

Comparison Table for Amendments to the Articles of Incorporation

Provisions before amendment	Amended provisions	Basis and reason of amendment
Article I: The Company is incorporated pursuant to the provisions regarding companies limited by shares in the Company Act, and named as TEX-RAY INDUSTRIAL CO., LTD.	Article I: The Company is incorporated pursuant to the provisions regarding companies limited by shares in the Company Act, and named as TEX-RAY INDUSTRIAL CO., LTD. The Company's English name is TEX-RAY INDUSTRIAL CO., LTD.	The English name is added
Article2: Business to be operated by the Company is as follows: I. C301010 Spinning of Yarn II. C302010 Weaving of Textiles III. C303010 Manufacture of Non-woven Fabrics IV. C305010 Printing, Dyeing, and Finishing V. C306010 Wearing Apparel VI. C307010 Clothing Accessories VII. CJ01010 Hat Manufacturing VIII. F102040 Wholesale of Nonalcoholic Beverages IX. F102050 Wholesale of Tea Leaves X. F104110 Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories XI. F113010 Wholesale of machinery XII. F301010 Department Stores XIII. I501010 Product Designing XIV. I502010 Clothing Designing XV. IG02010 Research and Development Service XVI. CF01011 Medical Devices Manufacturing XVII. CA02090 Metal Wire Products Manufacturing XVIII. F105050 Wholesale of Furniture, Bedding Kitchen Utensils and Fixtures XIX. F108031 Wholesale of Medical Devices XX. F109070 Wholesale of Culture, Education, Musical Instruments and Educational Entertainment Supplies XXI. F113070 Wholesale of	Article2: Business to be operated by the Company is as follows: I. C301010 Spinning of Yarn II. C302010 Weaving of Textiles III. C303010 Manufacture of Non-woven Fabrics IV. C305010 Printing, Dyeing, and Finishing V. C306010 Wearing Apparel VI. C307010 Clothing Accessories VII. CJ01010 Hat Manufacturing VIII. F102040 Wholesale of Nonalcoholic Beverages IX. F102050 Wholesale of Tea Leaves X. F104110 Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories XI. F113010 Wholesale of machinery XII. F301010 Department Stores XIII. I501010 Product Designing XIV. I502010 Clothing Designing XV. IG02010 Research and Development Service	The businesses added in 2020 were not approved by the competent authority, and thus are deleted.

<p>Telecommunication Apparatus XXII. F114060 Wholesale of Ship and Component Parts XXIII. F114070 Wholesale of Aircraft and Component Parts Thereof XXIV. F114080 Wholesale of Track Vehicle and Component Parts Thereof XXV. F114990 Wholesale of Other Traffic Means of Transport and Component Parts Thereof XXVI. F119010 Wholesale of Electronic Materials XXVII. F208031 Retail Sale of Medical Apparatus XXVIII. I101110 Textile Consulting XXIX. G801010 Warehousing</p>		
<p>Article 11: The notice shall be given to each shareholder thirty days prior to a regular shareholders' meeting, or fifteen days prior to the interim shareholders' meeting, stating the date, place and purpose of the meeting.</p>	<p>Article 11: The notice shall be given to each shareholder thirty days prior to a regular shareholders' meeting, or fifteen days prior to the interim shareholders' meeting, stating the date, place and purpose of the meeting. The Company's shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority.</p>	<p>Adding the amendment by the competent authority to allowed the means of visual communication network.</p>
<p>In case of profits after final accounts of the Company in the year, the Company shall firstly withhold the taxes, make up for the accumulated losses, set aside 10% as legal surplus reserve, and then calculate or reserve special surplus reserve according to the applicable laws and regulations. In case of any surplus, the Board of Directors shall prepare a distribution proposal together with the undistributed profits of the previous years, and submit the proposal to the shareholders' meeting for resolution on distribution. The Company is at the stage of growth, and adopts the residual dividend policy. The Company shall work out the capital demands in the next few years based on the future budget plan, and shall retain profits for working capital so as to avoid excessive dilution. Dividends on the</p>	<p>In case of profits after final accounts of the Company in the year, the Company shall firstly withhold the taxes, make up for the accumulated losses, set aside 10% as legal surplus reserve, and then calculate or reserve special surplus reserve according to the applicable laws and regulations. In case of any surplus, the Board of Directors shall prepare a distribution proposal together with the undistributed profits of the previous years, and submit the proposal to the shareholders' meeting for resolution on distribution. The Company's dividend policy, is to cope with the current and future development plans, while considering the investment environment, fund demands, and international and domestic competitions and the benefits of the shareholders. The amount of shareholders' bonus to be distributed every year shall not be lower than 10%</p>	<p>The dividend policy is amended to be aligned to the reality.</p>

<p>shares shall not exceed 50% of the dividend bonus of the year. The remaining balance shall be allocated in the form of cash dividends.</p>	<p>of the current distributable earnings. The shareholders' bonus may be distributed in cash or shares; of which, the cash dividends shall not be lower than 10% of the total dividends.</p>	
<p>These Articles of Incorporation are established on August 4, 1978. Omitted. The 25th amendment was made on June 16, 2020.</p>	<p>These Articles of Incorporation are established on August 4, 1978. Omitted. The 26th amendment was made on June 15, 2022.</p>	<p>The amendment dates are added</p>

TEX-RAY INDUSTRIAL CO., LTD.

Articles of Incorporation

Chapter 1 General Provisions

Article 1: The Company shall be organized pursuant to the provisions regarding company limited by shares under the Company Act, with the name as “TEX-RAY INDUSTRIAL CO., LTD.”

Article 2: Business to be operated by the Company is as follows:

- I. C301010 Yarn spinning industry
- II. C302010 Knit fabrics industry
- III. C303010 Non-woven fabrics industry
- IV. C305010 Printing, dyeing and finishing industry
- V. C306010 Garment industry
- VI. C307010 Garment accessories manufacturing
- VII. CJ01010 Hat manufacturing
- VIII. F102040 Wholesale of beverages
- IX. F102050 Wholesale of tea
- X. F104110 Wholesale of clothing, clothes, shoes, hats, umbrellas, apparel, and clothing accessories
- XI. F113010 Wholesale of machinery
- XII. F301010 Department stores
- XIII. I501010 Product design
- XIV. I502010 Fashion design
- XV. IG02010 Research and development services
- XVI. CF01011 Manufacturing of medical materials and equipment
- XVII. CA02090 Manufacturing of metal line products
- XVIII. F105050 Wholesale of furniture, bedding, kitchen utensils, and installation supplies
- XIX. F108031 Wholesale of medical materials and equipment

- XX. F109070 Wholesale of stationery articles, musical instruments, and educational entertainment articles
- XXI. F113070 Wholesale of telecommunication equipment
- XXII. F114060 Wholesale of ships and parts
- XXIII. F114070 Wholesale of aircrafts and parts
- XXIV. F114080 Wholesale of railway vehicles and parts
- XXV. F114990 Wholesale of other transport tools and parts
- XXVI. F119010 Wholesale of electronic materials
- XXVII. F208031 Wholesale of medical materials and equipment
- XXVIII. I101110 Textile consultancy
- XXIX. G801010 Warehousing and storage

Article 2-1: The Company's reinvestment shall be subject to the resolutions of the Board of Directors, and the total investments shall not exceed 40% of the Company's paid-up capital and shall be secured by guarantee of the same trade.

Article 3: The Company is incorporated in Taipei City. If necessary, the Company may establish branches abroad by resolution of the Board of Directors.

Article 4: The Company shall publish its announcement on the conspicuous position of the Company's local daily newspapers and the circulars.

Chapter 2 Shares

Article 5: The total capital of the Company is NT\$ three billion, which is divided into three billion shares with a par value of NT\$ 10. The Board of Directors will be authorized to issue the shares that have not been issued by installment as appropriate.

An sum of NT\$ one hundred million will be set aside out of the capital under the preceding paragraph for issuance of employee stock option, amounting to ten million shares with a par value of NT\$ 10. The Board of Directors is authorized to issue the shares by installment.

Article 6: The Company shall issue the registered shares, which shall be signed or sealed by more than 3 directors, shall be numbered, and shall be authenticated by the

competent authority or the issuance registry institution accredited by the competent authority. The Company may issue shares without certificates, and such shares shall be registered with a central securities depository.

Article 7: The shareholders shall submit their seal specimens and any changes thereto to the Company for reference. Shareholders shall apply the seal specimens reserved by the Company while receiving dividends or exercising all other rights from the Company.

Article 8: The Company's shares shall be subject to the "Regulations Governing the Administration of Shareholder Service of Public Companies" promulgated by the competent authority, and other relevant laws and regulations.

Article 9: Registration of stock transfer shall be suspended within 60 days prior to the convening date of each regular shareholders' meeting, or within 30 days prior to the convening date of interim shareholders' meeting, or within 5 days prior to the Company's decision for distribution of dividends, bonus or other benefits.

Chapter 3 Shareholders' Meeting

Article 10: The shareholders' meetings of the Company are divided into regular shareholders' meetings and interim shareholders' meetings.

I. Regular shareholders' meeting shall be convened once every year, and shall be called by the Board of Directors within 6 months at the end of every fiscal year.

II. Interim shareholders' meeting shall be convened as required pursuant to the applicable laws and regulations.

Article 11: The notice shall be given to each shareholder thirty days prior to a regular shareholders' meeting, or fifteen days prior to the interim shareholders' meeting, stating the date, place and purpose of the meeting.

Article 12: Except otherwise provided by the Company Act, resolutions of the shareholders' meeting shall be adopted by the majority of present shareholders representing the majority of the voting power.

Article 13: Each shareholder shall be entitled to one vote based on the shares held by them. However, this limit is not applicable to those who are restricted or who do not have the voting power under Paragraph 2 of Article 179 of the Company Act.

Article 14: If a shareholder is unable to attend the shareholders' meeting for whatever reasons, the shareholder shall appoint another person to attend as proxy by issuing the proxy appointing instrument printed and established by the Company. The proxy process shall be governed by Article 177 of the Company Act, and the "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meeting of Public Companies" promulgated by the competent authorities.

Article 15: If the shareholders' meeting is convened by the Board of Directors, the Chairman of the Board of Directors shall be the Chair of the meeting. If the Chairman is on leave or unable to exercise his powers and duties for any reasons, the Vice Chairman shall preside over the meeting in place of the Chairman. If no Vice Chairman is appointed or the Vice Chairman is also on leave or unable to exercise his powers and duties for any reasons, a director designated by the Chairman shall be the Chair of the meeting; if the Chairman does not designate the Chair of the meeting, the directors shall elect one of them to be the Chair of the meeting.

Article 16: Minutes of the shareholders' meeting shall be formed, shall be signed and sealed by the chair, and shall be distributed to each shareholder within 20 days after the meeting.

The foregoing meeting minutes shall be made and distributed in the form of announcement.

The meeting minutes shall be kept by the Company permanently during the operation period of the Company; the attendance register (card) of the present shareholders and the proxy appointing instrument shall be kept for at least one year, provided, however, records concerning an action initiated by a shareholder pursuant to Article 189 of the Company Act shall be kept till conclusion of the lawsuit.

Article 17: The Company shall have 7-11 directors, including at least 3 Independent Directors (number of which shall be not less than 1/5 of the total number of directors), with a term of office of 3 years.

Election of the directors shall be made by nominating the candidates. The shareholders' meeting shall elect the directors from the list of the candidates.

Restrictions on professional qualification, share ownership and concurrent position holding, independence assertion, nomination and election method and other relevant matters of the Independent Directors shall be subject to the applicable laws and regulations.

The Company's Board of Directors sets up an Audit Committee, merely composed of the Independent Directors. There are not less than 3 members of the Audit Committee, one of whom shall be the convener, and at least one of whom shall be the accounting or financial expertise. Functions, duties and other relevant matters of the Audit Committee shall be subject to the relevant laws and regulations, or the Articles of Incorporation.

Article 18: Aggregate shareholding ratio of all directors shall be subject to the relevant rules of the competent securities regulatory authorities.

Article 19: In the event that one third of directors or the Independent Directors are vacant from their positions, the Board of Directors shall fill the vacancy within 60 days by convening an interim shareholders' meeting. The term of office for the director to be elected in the by-election shall be limited to the remaining term of office of the former director. If no new directors are elected in time upon expiry of the term of office, the original directors shall continue performing the duties until the new directors take office.

Article 20: At the Board meeting where more than two thirds of the directors are present, the Chairman and the Vice Chairman shall be elected from the present directors with consent of the majority of the present directors. The Chairman shall act for and on behalf of the Company. When the Chairman is on leave or unable to perform the duties for whatever reasons, the Vice Chairman shall act on the Chairman's

behalf. If the Vice Chairman is on leave or unable to perform the duties for whatever reasons, the Chairman shall designate a director to act on the Chairman's behalf. If the Chairman does not appoint a designee, the directors shall elect one of them to act on the Chairman's behalf.

Article 21: The directors shall organize the Board of Directors to decide all business policies and important matters of the Company. The Board of Directors shall establish various special committees.

Article 22: Except otherwise stipulated by the Company Act, the Board meeting shall be established if the majority of the directors are present and the majority of the present directors approve the meeting. Where a director is unable to attend the Board meeting for whatever reasons, he/she may appoint other directors by issuing a proxy appointing instrument, but one director may appoint only one proxy. Presence of the directors at the Board meeting by means of video conference shall be deemed attendance in person. Proceeding of the Board meeting shall be subject to the "Rules of Procedure for the Board of Directors".

Article 23: The Board of Directors shall convene a meeting at least once a quarter, and the notice of the meeting shall be given to each director 7 days in advance, stating the purpose of the meeting. In emergency, the Board of Directors may convene a meeting at any time. Notice of the Board meeting shall be given in writing, by fax or by e-mail.

Article 24 Apart from the functions and powers stipulated in Paragraph 4 of Article 14-4 of the Securities Act, the functions and powers vested to the supervisors by the Company Act, the Securities Act, and other laws and regulations, shall be exercised by the Audit Committee.

Provisions of Paragraph 4 of Article 14-4 of the Securities Act concerning acts of the supervisors or their roles as representative of a company shall apply mutatis mutandis to the independent director members of the Committee.

Article 25: Directors (including Independent Directors) shall be entitled to the remuneration for their duties regardless of profit or loss of the Company. The Board of Directors

is authorized to determine the remuneration of the directors within the standards for maximum salaries established under the Company's Remuneration Policies based on their participation in the Company's operation and their contributions. Where the Company makes profits, remuneration shall be also allocated in accordance with Article 31.

The Company shall cover liability insurance for the directors.

Chapter 5 Managers

- Article 26: The Company may have managers. Appointment, dismissal and remuneration of the managers shall be governed by the Company Act.
- Article 27: The Company may employ consultants or officers by resolution of the Board of Directors.
- Article 28: The Company's other employees shall be appointed and dismissed by the general manager, which shall be reported to the Board of Directors for approval.

Chapter 6 Accounting

- Article 29: The fiscal year of the Company shall be from January 1 to December 31 every year.
- Article 30: The Company shall, at the end of each fiscal year, urge the Board of Directors to prepare the following documents and statements: (I) Business report. (II) Financial statements. (III) Proposal concerning distribution of profits or recovery of losses, which shall be submitted to the regular shareholders' meeting for approval 30 days before the meeting.
- Distribution of the foregoing documents and statements shall be made in the form of announcement.
- Article 31: If the Company makes profits in the year, 2% of the profits shall be set aside as remuneration to the employees, and shall be distributed, by resolution of the Board of Directors, in stock or in cash to the targets including the employees of the subsidiaries who meet certain conditions. The Company may allocate, by

resolution of the Board of Directors, no more than 2% of the profits as remuneration to the directors. The allocation of employees' and Directors' compensation shall be reported to the shareholders' meeting. In case of accumulated losses, the Company shall set aside a sum out of the profits for recovery of such losses before remuneration to the employees and directors is calculated as per the percentage in the foregoing paragraph.

Article 31-1: In case of profits after final accounts of the Company in the year, the Company shall firstly withhold the taxes, make up for the accumulated losses, set aside 10% as legal surplus reserve, and then calculate or reserve special surplus reserve according to the applicable laws and regulations. In case of any surplus, the Board of Directors shall prepare a distribution proposal together with the undistributed profits of the previous years, and submit the proposal to the shareholders' meeting for resolution on distribution.

The Company is at the stage of growth, and adopts the residual dividend policy. The Company shall work out the capital demands in the next few years based on the future budget plan, and shall retain profits for working capital so as to avoid excessive dilution. Dividends on the shares shall not exceed 50% of the dividend bonus of the year. The remaining balance shall be allocated in the form of cash dividends.

Chapter 7 Supplementary Provisions

Article 32: The Company shall formulate the organization rules and rules on administration of affairs separately.

Article 33: Any matters not mentioned herein shall be governed in accordance with the provisions of the Company Act and the relevant regulations.

Article 34: These Articles of Incorporation are established on August 4, 1978. The first amendment was made on April 1, 1979. The second amendment was made on June 15, 1982. The third amendment was made on April 15, 1984. The fourth amendment was made on November 11, 1989. The fifth amendment was made on April 21, 1990. The sixth amendment was made on June 23, 1993. The seventh

amendment was made on September 15, 1995. The eighth amendment was made on September 14, 1996. The ninth amendment was made on June 21, 1997. The tenth amendment was made on November 3, 1997. The eleventh amendment was made on April 30, 1998. The twelfth amendment was made on May 21, 1999. The thirteenth amendment was made on June 2, 2000. The fourteenth amendment was made on June 26, 2001. The fifteenth amendment was made on June 26, 2002. The sixteenth amendment was made on June 10, 2003. The seventeenth amendment was made on April 27, 2004. The eighteenth amendment was made on June 14, 2005. The nineteenth amendment was made on June 9, 2006. The twentieth amendment was made on June 13, 2008. The twenty-first amendment was made on June 18, 2010. The twenty-second amendment was made on June 5, 2012. The twenty-third amendment was made on June 27, 2014. The twenty-fourth amendment was made on June 21, 2016. The twenty-fifth amendment was made on June 16, 2020.

TEX-RAY INDUSTRIAL CO., LTD.

Chairman: Lin Zui Yeh

TEX-RAY INDUSTRIAL CO., LTD.

Comparison Table for Amendments to the Operational Procedures for the Acquisition and Disposal of Assets

Number of article	Amended provisions	Current provisions	Description
Article 2	<p>...</p> <p>2.3.3 Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>...</p> <p>2.3.5 "Professional appraiser" refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment;</p>	<p>...</p> <p>2.3.3 Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, a certified public accountant shall be engaged to perform the appraisal <u>in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF)</u> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>...</p> <p>2.3.5 "Professional appraiser" refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment</p> <p>...</p>	<p>I. By considering that the amendment has added that the external experts shall comply with the self-regulatory rules of the industry associations to which they belong when issuing opinions, which covers the procedures to be complied with by accountants when issuing opinions, the texts "and the accountant shall comply with Auditing Standards Bulletin No. 20 issued by the Accounting Research and Development Foundation in the handling" are deleted.</p>

Number of article	Amended provisions	Current provisions	Description
	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the requirements in Article 5 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” (hereafter “the Regulations”).</p> <p>...</p> <p>2.4.2 Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p>	<p>2.4.2 Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; <u>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u></p> <p>...</p>	

Number of article	Amended provisions	Current provisions	Description
	...		
Article 3	<p>Related party's transaction</p> <p>...</p> <p>3.2 When the Company acquires or disposes of real estate or its right-of-use assets from related parties, or acquires or disposes of assets other than real estate or its right-of-use assets with related parties, and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the total assets or NT\$300 million, except the trading of domestic government bonds, bonds with repurchase or resale conditions, and the subscription to or redemption of money market funds issued by domestic securities investment trust enterprises, the following information shall be submitted to the board meeting for approval and the Audit Committee for ratification before the Company signs off the transaction contract and makes the payment.</p> <p>3.2.1 The purpose, necessity and expected benefits of acquisition or disposal of the properties.</p> <p>3.2.2 Reasons for selecting the related party as the trading counterparty.</p> <p>3.2.3 For the acquisition of real estate or its right-of-use assets from a related party, evaluate the rationality of the</p>	<p>Related party's transaction</p> <p>...</p> <p>3.5 Where the Company acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means</p> <p>3.5.1 Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>3.5.2 Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution</p>	<p>I. To enhance the management to the transactions with related parties, and protect the right of minority shareholders to express opinion regarding the transactions with related parties, by referring the requirement to have the shareholders meeting's prior approval for material transactions with related parties in the key international capital markets, such as Hong Kong and Singapore, while avoid the public companies to engage in material transactions with related parties via the non-public subsidiary, so that the related information shall be submitted to the shareholders' meetings for approval when avoiding.</p>

Number of article	Amended provisions	Current provisions	Description
	<p>predetermined trading conditions in accordance with the provisions of Article 16 and 17 of the Regulations</p> <p>3.2.4 The original acquisition date and price of the related party, and the trading counterparty and its relationship with the Company and the related party, etc.</p> <p>3.2.5 A forecast statement of cash receipts and payments for each month of the next year from the beginning of the contract month, and an assessment of the necessity of the transaction and the rationality of the use of funds.</p> <p>3.2.6 The appraisal report issued by a professional appraiser or the opinion of an accountant is obtained in accordance with the preceding article.</p> <p>...</p> <p>3.5 Where the Company or its subsidiary that is not a domestic public company in Taiwan has a transaction in the preceding paragraph 3.2 and the transaction amount reaches 10% or more of the total assets of the Company, the Company shall submit the information listed in 3.2 to the shareholders' meeting for approval before signing the transaction contract and making the payment. However, this restriction</p>	<p>is a related party of one of the transaction counterparties.</p> <p>...</p>	<p>Therefore, it is specified herein that If a public company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the public company's total assets, the public company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its</p>

Number of article	Amended provisions	Current provisions	Description
	<p>does not apply to transactions between the Company and its subsidiaries or between its subsidiaries.</p> <p>3.6 Where the Company acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means</p> <p>3.5.1 Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>3.5.2 Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial</p>		<p>subsidiaries. The matters of non-public subsidiary to be approved by the shareholders' meetings, shall be conducted by the public parent.</p> <p>II. By considering the demands for the overall business planning among a public company, its parent or subsidiaries, or among its subsidiaries, while referring the exemption requirements in the aforesaid key international capital markets, it is specified in the proviso to exempt the transactions among such companies from the resolutions of the shareholders' meetings.</p> <p>III. Where the aforesaid material transactions with related parties are these specified in Subparagraph</p>

Number of article	Amended provisions	Current provisions	Description
	<p>institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>...</p>		<p>1 to 3, Paragraph 1, Article 185 of the Company Act of Taiwan, the resolutions of the shareholders' meetings shall comply with the special resolutions specified in Article 185 of the Company Act of Taiwan, as well as in the preceding paragraph, and other related provisions in the Company Act.</p>
Article 6	<p>Procedures for public announcement and report</p> <p>...</p> <p>6.1.7 Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of domestic government bonds or foreign government bonds with a credit rating not lower than the sovereign rating of our</p>	<p>Procedures for public announcement and report</p> <p>...</p> <p>6.1.7 Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of domestic government bonds</p> <p>(2) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without</p>	<p>I. By considering the trading of domestic government bonds by public companies is exempted from public announcement and report, Item 1, Subparagraph 7 of Paragraph 1 is amended, to permit the trading of foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan is exempted from public</p>

Number of article	Amended provisions	Current provisions	Description
	<p>country.</p> <p>(2) Where done by professional investors— securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>...</p>	<p>equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>...</p>	<p>announcement and report, too.</p> <p>II. By considering the nature of foreign government bonds is simple, and the credit ratings tend to be better than the foreign common corporate bonds, and the ETN and the ETF are similar substantially, Item 2, Subparagraph 7 of Paragraph 1 is amended, to permit the trading of foreign government bonds in the primary market, or subscription or redemption of exchange traded notes, are exempted from public announcement and report, too.</p>

TEX-RAY INDUSTRIAL CO., LTD.
Operational Procedures for the Acquisition and Disposal of Assets

The Procedures were approved by the board of directors on March 25, 2019

1. The term "assets" as used in these Procedures includes the following:
 - 1.1 Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
 - 1.2 Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
 - 1.3 Memberships.
 - 1.4 Patents, copyrights, trademarks, franchise rights, and other intangible assets.
 - 1.5 Right-of-use assets.
 - 1.6 Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
 - 1.7 Derivatives
 - 1.8 Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
 - 1.9 Other major assets.
2. Evaluation
 - 2.1 The acquisitions and disposals of assets, if meeting the criteria for public announcement and report within two days from the date of occurrence, shall be presented to the chairman, and resolved by the board of directors before engaging in.
 - 2.2 In acquiring or disposing of securities trading on securities exchanges or OTC markets, or the assets not meeting the criteria for public announcement and report specified in the Procedures, the Company's authority level provided in the Management Procedures for Approval Authority shall be complied with.
 - 2.3 In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:
 - 2.3.1 Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of

directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.

- 2.3.2 Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
 - 2.3.3 Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
 - 2.3.4 No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
 - 2.3.5 "Professional appraiser" refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
 - 2.3.6 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the requirement specified in Subparagraph 1-3, Paragraph 1, and Subparagraph 1-4, Paragraph 2, Article 5 of the Regulations
- 2.4 The price determination and reference basis for acquiring or disposing of assets shall comply the following:
- 2.4.1 For the acquisitions or disposals of securities, the latest audited and certified or checked financial statements of the target company shall be taken as the reference for evaluating the trading price before the date of occurrence. In addition, if the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall consult an accountant for a fair opinion on the transaction price before the date of occurrence. However, this restriction does not apply if the securities are publicly quoted in an active market or there are other applicable requirements by the competent authority.

- 2.4.2 Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
- 2.4.3 Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
- 2.4.4 In acquiring or disposing of other fixed assets, the Company shall comply with the fixed assets cycle and procurement cycle.
- 2.5 For acquisitions and disposals of assets, the unit in charge shall present the reason of acquisition or disposal, target asset, counterparty, transfer price, terms of payment, and reference basis of prices to the officers with authority to determine.
- 2.6 Execution unit:
 - 2.6.1 Long (short) term security investment, buying/selling foreign exchange, and capital management are executed by the Finance Department.
 - 2.6.2 For the execution of real properties and other fixed asset, the units are the unit using the asset and related accountable units.

3. Related party's transaction

- 3.1 If the Company acquires or disposes of assets from a related party, in addition handling the relevant resolution procedures and evaluate the rationality of the trading conditions pursuant to procedures set forth in the preceding section and this section, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report issued by a professional appraiser or an opinion of a CPA in accordance with the provisions of the preceding requirements. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
- 3.2 When the Company acquires or disposes of real estate or its right-of-use assets from related parties, or acquires or disposes of assets other than real estate or its right-of-use assets with related parties, and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the total assets or NT\$300 million, except the trading of domestic government bonds, bonds with repurchase or resale conditions, and the subscription to or redemption of money market funds issued by domestic securities investment trust enterprises, the following information shall be submitted to the board meeting for approval and the Audit Committee for

ratification before the Company signs off the transaction contract and makes the payment:

- 3.2.1 The purpose, necessity and expected benefits of acquisition or disposal of the properties.
- 3.2.2 The reason for choosing the related party as a transaction counterparty.
- 3.2.3 3.2.3 For the acquisition of real estate or its right-of-use assets from a related party, evaluate the rationality of the predetermined trading conditions in accordance with the provisions of Article 16 and 17 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies (hereafter “the Regulations”).
- 3.2.4 The original acquisition date and price of the related party, and the trading counterparty and its relationship with the Company and the related party, etc.
- 3.2.5 A forecast statement of cash receipts and payments for each month of the next year from the beginning of the contract month, and an assessment of the necessity of the transaction and the rationality of the use of funds.
- 3.2.6 The appraisal report issued by a professional appraiser or the opinion of an accountant is obtained in accordance with the preceding article.
- 3.2.7 Restrictive covenants and other important stipulations associated with the transaction. The calculation of the transaction amounts referred to in paragraph 1 and the preceding paragraph shall be made in accordance with Article 31, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders meeting or board of directors and recognized by the Audit Committee need not be counted toward the transaction amount. With respect to the types of transactions listed below, when to be conducted between a public company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital:
 - (1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
 - (2) Acquisition or disposal of real property right-of-use assets held for business use.

The company's board of directors may pursuant to Article 7, paragraph 1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

- 3.3 Where the position of independent director has been created in accordance with the competent authority's regulations, when a matter is submitted for discussion by the board of directors pursuant to 3.2, the board of directors shall take into full consideration each independent director's opinions. If an independent director

objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

- 3.4 Where an audit committee has been established in accordance with the competent authority's regulations, the approval more of all audit committee members shall be obtained first and then submitted to the board of directors for a resolution; if approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.
- 3.5 Where the Company acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
 - 3.5.3 Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - 3.5.4 Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- 3.6 Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in 3.5.
- 3.7 Acquisitions of property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with 3.5 and 3.6 shall also engage a CPA to check the appraisal and render a specific opinion.
- 3.8 Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with 3.2, and 3.5, 3.6 and 3.7 do not apply:
 - 3.8.1 The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
 - 3.8.2 More than 5 years will have elapsed from the time the related party signed the

contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.

3.8.3 The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

3.8.4 The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

3.9 When the results of a public company's appraisal conducted in accordance with 3.5 and 3.6 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with 3.10. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

3.9.1 Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

(1) Where undeveloped land is appraised in accordance with the means in 3.5, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.

3.9.2 Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced

current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

- 3.10 Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with 3.5 and 3.6 are uniformly lower than the transaction price, the following steps shall be taken:
- 3.10.1 A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in the Company, then the special reserve shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the Company.
- 3.10.2 Independent directors shall comply with Article 218 of the Company Act.
- 3.10.3 Actions taken pursuant to 3.10.1 and 3.10.2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- 3.11 A company that has set aside a special reserve under 3.10 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
- 3.12 When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with 3.10 and 3.11 if there is other evidence indicating that the acquisition was not an arms length transaction.

4. Engaging in Derivatives Trading

- 4.1 Derivatives refer to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- 4.2 When engaging in derivatives trading, the types of trading are limited to foreign currency forwards and options.

- 4.3 The foreign exchange operations conducted through the aforesaid derivatives are only for avoiding exchange risks in operation and capital allocation; no speculative trading is allowed. The currency held must be consistent with the Company's actual foreign currency demand for import and export transactions.
- 4.4 The Finance Department shall be responsible for the formulation and execution of strategies related to derivatives trading, and shall evaluate the positions held at least weekly. However, if any hedging trading is required due to business demands, the bi-weekly evaluation shall be conducted at least, and the evaluation report shall be submitted to senior management authorized by the board of directors.
- 4.5 The Finance Department shall, after evaluation, select a financial institution with better conditions and submit it to the competent authority for approval, sign a quota contract with it, and engage in derivative commodity transactions within the quota.
- 4.6 The Finance Department shall evaluate and review the operational performance at the market price every week, and report the operational performance to the President and Chairman every month to review and improve the operational strategy for hedging tradings.
- 4.7 The board of directors shall faithfully supervise and manage in accordance with the following principles:
 - 4.7.1 Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
 - 4.7.2 Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
- 4.8 Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:
 - 4.8.1 Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the company.
 - 4.8.2 When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.
- 4.9 When engaging in derivatives trading, for each contract with amount under US\$1.5 million, the President is authorized to review; for each contract with amount more than US\$1.5 million but under US\$3 million, the chairman is authorized to review; for each contract with amount of more than US\$3 million the approval of the board of directors is required.
- 4.10 A company shall report to the soonest meeting of the board of directors after it

authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.

- 4.11 When engaging in derivative trading, the operations shall be conducted based on the arrival of L/C one by one in batches.
- 4.12 After a derivatives trading is completed and confirmed by the confirmation personnel, the Form of foreign exchange hedging operation details shall be completed, and rechecked by the Finance Department, while verifying the trading contents with the counterparty banks for any errors, before presented to the accountable supervisors.
- 4.13 Limits for engaging in derivatives trading
 - 4.13.1 The total amount of foreign currency forward contracts shall not exceed the Company's actual foreign currency demand for import and export. When the foreign currency option trading is valued at market price, the total amount of the option contracts that may be required to perform obligations, shall not exceed US\$10 million.
 - 4.13.2 The maximum losses for all derivatives contracts is US\$1.5 million, and the maximum loss of an individual contract is 5% of the individual contractual amount and cannot exceed US\$500,000.
- 4.14 Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
- 4.15 The scope of risk management should include credit, market price, liquidity, cash flow, operational and legal risks. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in 4.14 and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.
- 4.16 The Finance Department shall establish a reference book, which shall record in detail the type and amount of derivatives trading, the date of approval by the board meeting and the matters that should be carefully evaluated in accordance with the regulations.
- 4.17 Internal auditors shall regularly understand the appropriateness of the internal control of derivative trading, and monthly audit the compliance of the financial planning team with the procedures for dealing with derivative trading, analyze the trading cycle and prepare an audit report accordingly. If any material violation is discovered, all independent directors shall be notified in writing.

5. Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

- 5.1 The Company, when conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash

or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

- 5.2 The Company, when participating in a merger, demerger, acquisition, or transfer of shares, shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in 5.1 when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.
- 5.3 The companies participating in the merger, division or acquisition, if the shareholders' meeting of either party cannot be held, a resolution cannot be made, or the proposal is rejected by the shareholders' meeting due to insufficient attendance, voting rights or other legal restrictions, the company participating in the merger, division or acquisition shall immediately publicly explain the reasons for the occurrence, subsequent handling procedures and the expected date of the shareholders' meeting.
- 5.4 A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- 5.5 A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- 5.6 The Finance Department shall prepare a full written record of the following information and retain it for 5 years for reference:
 - 5.6.1 Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
 - 5.6.2 Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the

- execution of a contract, and the convening of a board of directors meeting.
- 5.6.3 Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.
- 5.7 Within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in 5.6.1 and 5.6.2 of the preceding paragraph to the FSC for recordation.
- 5.8 Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- 5.9 When participating in a merger, demerger, acquisition, or transfer of shares, the Company may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
- 5.9.1 Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- 5.9.2 An action, such as a disposal of major assets, that affects the company's financial operations.
- 5.9.3 An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- 5.9.4 An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- 5.9.5 An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- 5.9.6 Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- 5.10 The contract for participation by a public company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
- 5.10.1 Handling of breach of contract.
- 5.10.2 Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in

a merger or that is demerged.

- 5.10.3 The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- 5.10.4 The manner of handling changes in the number of participating entities or companies.
- 5.10.5 Preliminary progress schedule for plan execution, and anticipated completion date.
- 5.10.6 Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- 5.11 After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- 5.12 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of 5.4, 5.5, 5.6, 5.7, 5.8 and 5.11.

6. Procedures for public announcement and report

- 6.1 Under any of the following circumstances, a public company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:
 - 6.1.1 Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
 - 6.1.2 Merger, demerger, acquisition, or transfer of shares.
 - 6.1.3 Losses from derivatives trading reaching the limits on aggregate losses or

losses on individual contracts set out in the procedures adopted by the company.

- 6.1.4 Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
- (1) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - (2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- 6.1.5 Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.
- 6.1.6 Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
- 6.1.7 Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: provided, this shall not apply to the following circumstances:
- (1) Trading of domestic government bonds
 - (2) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
 - (3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities

investment trust enterprises.

The amount of transactions in 6.1.7 shall be calculated as follows:

- (1) The amount of any individual transaction.
- (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
- (3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
- (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

6.2 "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

The Finance Department shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

6.3 When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission

6.4 Where any of the following circumstances occurs with respect to a transaction that a public company has already publicly announced and reported in accordance with 6.1, 6.2, and 6.3, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

6.4.1 Change, termination, or rescission of a contract signed in regard to the original transaction.

6.4.2 The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

6.4.3 Change to the originally publicly announced and reported information.

7. Limits for acquiring and disposing of real properties and securities

The total amount of purchasing real properties or right-of-use assets thereof, or securities, and the limit for investment in individual securities are as follows:

- 7.1 The maximum total amount of the real properties not for business use is 100% of the Company's total assets.
- 7.2 The maximum total amount of investment in securities is 100% of the Company's total assets.
- 7.3 The maximum amount of an individual security is 50% of the Company's total assets.

8. Requirements for subsidiaries to acquire or dispose of assets.

- 8.1 Subsidiary is as defined as in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 8.2 The subsidiaries shall comply with the Company's requirements to acquire or dispose of assets.
- 8.3 Information required to be publicly announced and reported on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company
- 8.4 Where the "10 percent of total assets" specified in 6.1.1 of the Procedures is met for a subsidiary to make public announcement and report, the calculation is based on the total asset in the Company's latest parent-only financial statement.
- 8.5 In the case of a company whose shares have no par value or a par value other than NT\$10—for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted; for calculations under the provisions of these Regulations regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.

9. Description of internal control

- 9.1 The Company, when acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.
- 9.2 The acquisitions and disposals of assets shall comply with the Procedure; any personnel violates the "Regulations" and the Procedures, and the violation is verified as a truth, the accountable supervisor will be reported to and the disciplinary actions will be taken pursuant to the Company's rules.

10. Additional Provisions

- 10.1 Where the related laws and regulation amend the Procedures' provision, the laws and regulations prevail.
- 10.2 Anything not mentioned in the Procedures will be handled by complying with the competent authorities and the Company's regulations.
- 10.3 The Procedures shall be approved by the Audit Committee, and submitted to the

board of directors for resolution, and approved by the shareholders' meeting. The same applies to the amendments. If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

TEX-RAY INDUSTRIAL CO., LTD.
Rules and Procedures of the Shareholders' Meeting

These Rules are approved by the Board of Directors on Mar. XX, 2020.

- Article 1: Except otherwise stipulated by laws, regulations or the Articles of Incorporation, proceeding of the Company's shareholders' meeting shall follow these Rules.
- Article 2: The Company shall establish an attendance register for the shareholders (or proxies) to sign in the shareholders' meeting, or require the present shareholders (or proxies) to submit their sign-in cards in lieu of signing the register. Any presence at the shareholders' meeting by proxy shall follow the provisions of the Articles of Incorporation.
- Article 3: Except otherwise stipulated by laws and regulations, the Company's shareholders' meeting shall be convened by the Board of Directors, and the meeting handbook for the shareholders' meeting shall be prepared, and shall be announced and disclosed together with other meeting materials before the shareholders' meeting.
- Election or dismissal of directors, amendment to the Articles of Incorporation, capital reduction, application for suspension of public offering, permission for the directors to compete with the Company, capitalization of retained earnings, capitalization of capital reserves, dissolution or merger or separation of the Company, or all items pertaining to Paragraph 1, Article 185 of the Company Act shall be listed as reasons to convene the meeting, with their essential contents specified, and shall not be raised as extempore motions. The main contents of these proposals may be uploaded to the website of competent securities authorities or a website designated by the Company, with its URL specified on the meeting notice.
- Where the reasons for convening the shareholders' meeting already specifies the election of all Directors and the date elected Directors take office, once the election is completed in the shareholders' meeting, the date the elected Directors take office may not be changed by extempore motions or other methods in the same meeting.
- Article 4: The shareholders representing more than 1% of the total outstanding shares of the Company may submit a proposal for Regular Shareholders' Meeting to the Company pursuant to Article 172-1 of the Company Act.
- Article 5: The shareholders' meeting shall be held in the registered office of the Company or any other place that is convenient for the shareholders to attend the meeting and appropriate to convene such meeting, and shall be commenced at a time not earlier than 9:00 a.m. and not later than 3:00 p.m.

- Article 6: If the shareholders' meeting is convened by the Board of Directors, the Chairman of the Board of Directors shall preside over the meeting. If the Chairman is on leave or unable to exercise his powers and duties for any reasons, the Vice Chairman shall preside over the meeting in place of the Chairman. If no Vice Chairman is appointed or the Vice Chairman is also on leave or unable to exercise his powers and duties for any reasons, a director designated by the Chairman shall preside over the meeting; if the Chairman does not designate the Chair of the meeting, the directors shall elect one of them to preside over the meeting.
- If the shareholders' meeting is convened by other convener than the Board of Directors, such convener shall preside over the meeting. If there are two or more conveners, one of them shall be elected as the Chair of the meeting.
- Article 7: The participation and voting by shareholders shall be duly calculated based on the number of shares they hold. The number of the present shareholders shall be subject to the attendance register or the sign-in cards.
- Article 8: The Chair of the Meeting shall call the meeting to order as long as shareholders representing the majority of total issued and outstanding shares are present at the meeting. Nevertheless, if the shares represented by the attending shareholders have not reached more than half of the total shares issued, the Chair may announce postponement of the meeting. However, the postponement shall be limited to two times and the meeting shall not be postponed for more than one hour in total. If the quorum is less than the number of the present shareholders representing more than one third of the total issued and outstanding shares after the meeting is adjourned for twice, the Chair shall announce the meeting dissolved for lack of a quorum. If the quorum is not met after the meeting is adjourned for twice, but the present shareholders represent more than one third of the total issued and outstanding shares, a tentative resolution may be adopted pursuant to Paragraph 1 of Article 175 of the Company Act, and the shareholders' meeting shall be convened again within a month. If, after the tentative resolution under the preceding paragraph has been adopted, the number of the present shareholders represents the one-half of the total issued and outstanding shares before the meeting is adjourned, the Chair may announce commencement of the meeting at any time, and may re-submit the foregoing tentative resolution to the meeting for approval pursuant to the Article 174 of the Company Act.
- Article 9: The Company may appoint its attorney, accountants or relevant personnel to attend the shareholders' meeting. The personnel responsible for the shareholders' meeting shall wear the ID cards or arm badge.
- Article 10: The whole process of the meeting shall be audio recorded or videotaped from beginning to end, of which the files shall be kept for at least one (1) year.

Article 11: If the shareholders' meeting is convened by the Board of Directors, the rules of procedure shall be formulated by the Board of Directors. Relevant proposals (including extempore motions and amendments to the original proposals) shall be voted one by one. The meeting shall follow the scheduled agenda unless otherwise resolved.

The preceding paragraph shall apply mutatis mutandis to meetings convened by any person, other than the Board of Directors, with the authority to convene such meeting.

Except by a resolution of the meeting, the Chair shall not announce adjournment of the meeting before completion of the all scheduled items on the agenda (including extempore motions).

Once the meeting is adjourned, the shareholders cannot designate another person as the Chair and continue the meeting at the same venue or other places. Nevertheless, in the event that the Chair adjourns the meeting in violation of the Rules of Procedure, the attending shareholders may designate, by agreement of a majority of votes, one person as the Chair to continue the Meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; where the chairperson believes an issue has been discussed in the meeting up to the level for voting, the chairperson may announce discontinuance of the discussion process and bring that issue to a vote, and arrange a sufficient voting time.

Article 12: Before speaking at the meeting, the present shareholders shall submit a slip of paper summarizing the speaking subject, shareholder account number (or attendance ID number) and account name. The Chair shall determine the order of speaking. The present shareholders (or proxies) who submit a slip of paper but do not speak at the meeting shall be deemed to have not spoken. In the event of any inconsistency between the contents of shareholder's speech and those recorded on the slip, the contents of shareholder's speech shall prevail. When an attending shareholder is speaking at the meeting, no other shareholder shall interrupt the speaking shareholder unless otherwise permitted by the chairperson and such speaking shareholder; the chairperson shall stop any such violations.

Article 13: Without consent of the Chair, each shareholder (or proxy) shall not make a speech on the same discussion item more than two (2) times and each time shall not exceed five (5) minutes. In the event that the speech of a shareholder violates the rules as described in the preceding paragraph or exceeds the scope of the discussion item, the Chair of the Meeting may stop the speech of such shareholder.

- Article 14: If a legal person is appointed to attend the shareholders' meeting, this legal person may appoint only one representative to attend the meeting. In the event that a juristic (corporate) person shareholder appoints two or more representatives to participate in a shareholder meeting, only one representative may speak for the same issue.
- Article 15: After the present shareholders speak on the floor, the Chair shall give response in person or through a designee.
- Article 16: When the Chair believes that discussion of the proposal at the meeting is votable, the Chair may announce discussion coming to the end, and bring that proposal to a vote.
- Article 17: The scrutineer and the votecounter shall be appointed by the Chair, and the scrutineer shall be a shareholder. The voting results shall be announced at the meeting and recorded in writing.
- Article 18: During the process of the meeting, the Chair may announce a break as appropriate. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.
If not all of the items (including extempore motions) on the scheduled agenda of the shareholders have been addressed and the meeting venue is no longer available, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.
The shareholders' meeting may resolve to defer or resume the meeting within five days pursuant to Article 182 of the Company Act.
- Article 19: A shareholder shall be entitled to one vote based on the shares held by them. However, this limit is not applicable to those who are restricted or who do not have the voting power under Article 179 of the Company Act.
Unless otherwise stipulated by the Company Act and the Articles of Incorporation, decisions on the proposals shall be adopted by the majority of present shareholders of voting power. At the time of voting, the shareholders shall vote the proposals one by one after the Chair or its designee announce the total votes of the present shareholders. The results regarding affirmative vote, dissenting votes and abstention votes of the shareholders shall be input the MOPS on the date when the shareholders' meeting is convened.
- Article 20: In the event that an amendment or a substitute comes out of the same proposal, the Chair shall fix the order of voting. When one among them is duly resolved, other issue(s) is (are) deemed to have been vetoed and no voting process is required.
- Article 21: The Chair may direct the disciplinary personnel (or security personnel) to assist in maintaining the order of the meeting. The disciplinary personnel (or security

personnel) shall wear arm badges reading “Disciplinary Officer” or ID cards while assisting in maintaining the order of the meeting.

Article 22: Any matters not specified herein shall be governed by the Company Act, the Articles of Incorporation, and other relevant laws and regulations.

Article 23: These Rules and any amendments hereto shall be implemented with approval of the shareholders’ meeting.

Attachment 10

TEX-RAY INDUSTRIAL CO., LTD.

Shares held by the director

Apr. 17, 202

Title	Name	Date taking office	Term	Shareholding while elected	Current Shareholding
Chairman	Lin Zui Yeh	2022.07.12	Three years	6,120,000	6,120,000
Director	Yao Wan Kuei	2022.07.12	Three years	3,830,239	3,830,239
Director	Representative of B.VI Yue Da Textile Holdings Limited: ZHANG NAIWEN, DAI JUN	2022.07.12	Three years	42,052,440	42,052,440
Director	KUO WEN YEN	2022.07.12		0	0
Director	Wu Ching Feng	2022.07.12	Three years	2,009,400	2,009,400
Director	Ho Yu	2022.07.12	Three years	80,912	80,912
Director	Representative of Serendipity Co., Ltd.: Yang Chia Yin	2022.07.12	2 years	23,362,466	23,362,466
Independent Director	Tsai Chao Lun	2022.07.12	Three years	0	0
Independent Director	Lee Mu Jung	2022.07.12	Three years	409	409
Independent Director	Chu,Hsin-Hua	2022.07.12	Three years	0	0
Total				77,455,866	77,455,866

Note 1: All directors of the Company shall hold 12,000,000 shares at law. As at the record date of the shareholders' meeting (Apr. 17, 2022), all directors hold shares.

Note 2: The Company has an Audit Committee. Therefore, there is no requirement on number of shares that shall be held by the supervisors at law.

Attachment 11 Proposals of the shareholders: None